

April 2021

# Guidance and example of a third statement of financial position on first time adoption of AASB 1059

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## Introduction

The purpose of this guide is to assist agencies with presenting a third statement of financial position upon first time adoption of AASB 1059 *Service Concession Arrangements: Grantors* (AASB 1059). This guide explains the requirements to present a third statement of financial position and sets out an example template for presenting the third statement of financial position. Note that agencies will need to tailor the content to suit their specific circumstances. The guidance provides a summary of the key requirements, and agencies should refer to the relevant Accounting Standards.

## Background

AASB 1059 addresses the accounting for service concession arrangements by a grantor that is a public sector entity and is effective for annual reporting periods beginning on or after 1 January 2020.

Treasury Circular TC20-03 *Accounting Policy - Transition requirements for AASB 1059 Service Concession Arrangements: Grantors* mandates that NSW public sector agencies, including State Owned Corporations, shall apply the modified retrospective approach in AASB 1059, on the transition date.

Under the modified retrospective approach, a grantor must apply AASB 1059 retrospectively by recognising and measuring service concession assets and related liabilities at the date of initial application.

The date of initial application is the beginning of the earliest reporting period for which comparative information is presented in the financial statements. For financial years ending 30 June, the date of initial application is therefore 1 July 2019, being the beginning of the comparative period in financial reports prepared for FY2020/21.

AASB 101 *Presentation of Financial Statement* requires entities to present a third statement of financial position if it makes a retrospective restatement or reclassifies items in the financial statements and the effect is material on the transition date.

## What are the requirements around presentation of a third statement of financial position under AASB 101?

Under AASB 101, agencies are required to present a third statement of financial position as at the beginning of the comparative period if:

- an agency applies an accounting policy retrospectively, restates line items in the financial statements, or reclassifies any items, and
- the effect of the retrospective application, restatement or reclassification is material to the opening balance of the comparative period<sup>1</sup>.

Upon first time adoption of AASB 1059, for FY20/21 financial reports, NSW public sector agencies are required to retrospectively apply AASB 1059 by recognising and measuring service concession assets and related liabilities at the date of initial application (i.e. 1 July 2019).

If the effect of the retrospective application of AASB 1059 at 1 July 2019 (being the opening balance of the comparative period) is material, an agency is required to present three statements of financial position as at:

- the end of the current period (i.e. 30 June 2021)
- the end of the preceding period (i.e. 30 June 2020); and
- the beginning of the preceding period (i.e. 1 July 2019)<sup>2</sup>.

Please refer to Appendix A for an example template of presenting a third statement of financial position.

Agencies are not required to present the related notes to the opening statement of financial position as at the beginning of the preceding period <sup>3</sup> i.e. agencies do not need to provide additional comparatives in the related notes.

When an entity presents a third statement of financial position, it must also disclose the following additional information as required by AASB 101.41 and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* (AASB 108):

- the nature of the reclassification, the amount of each item or class of items that is reclassified, and the reason for the reclassification<sup>4</sup>

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<sup>1</sup> AASB 101.40A

<sup>2</sup> AASB 101.40B

<sup>3</sup> AASB 101.40C

<sup>4</sup> AASB 101.41

- the title of the Australian Accounting Standard<sup>5</sup>
- when applicable, that the change in accounting policy is made in accordance with its transitional provisions<sup>6</sup>
- the nature of the change in accounting policy<sup>7</sup>
- when applicable, a description of the transitional provision<sup>8</sup>
- when applicable, the transitional provisions that might have an effect on future periods<sup>9</sup>
- for the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected<sup>10</sup>
- the amount of the adjustment relating to periods before those presented, to the extent practicable<sup>11</sup>

For guidance and illustrative pro forma on the above additional disclosures, please refer to TPP 20-09 [\*Financial Reporting Code for NSW General Government Sector Entities\*](#) (FRC) Note 1h, beginning from page 23.

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<sup>5</sup> AASB 108.28 (a)

<sup>6</sup> AASB 108.28(b)

<sup>7</sup> AASB 108.28(c)

<sup>8</sup> AASB 108.28(d)

<sup>9</sup> AASB 108.28(e)

<sup>10</sup> AASB 108.28(f)(i)

<sup>11</sup> AASB 1028(g)

## Appendix A

This appendix provides an example template of presenting a third statement of financial position based on the FRC format. Note that agencies should tailor the content in the example to suit their specific circumstances.

### Reminders

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- These requirements are also relevant to agencies who previously accounted for arrangements under TPP 06-8 and where those arrangements are now out of scope of AASB 1059. The repeal of TPP 06-8 results in a change in accounting policy for these agencies. Please refer to guidance for disclosures to be included in the notes.

## Statement of Financial Position as at 30 June 2021

		Budget	Actual	Actual	Actual
		2021	2021	(restated)	(restated)
	Notes	\$'000	\$'000	2020	1 July 2019
				\$'000	\$'000
<b>ASSETS</b>					
<b>Current Assets</b>					
AASB 101.60, 66	Cash and cash equivalents	10			
AASB 101.54(i)	Receivables	11			
AASB 15.105	Contract assets	12			
AASB 101.54(h)	Inventories	13			
AASB 101.54(g)	Financial assets at fair value	14			
AASB 101.54(d)	Other financial assets	15			
AASB 101.54(d)	Other current assets	20			
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AASB 101.54(j)	Non-current assets held-for-sale	21			
AASB 5.38					
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<b>Total Current Assets</b>					
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AASB 101.60	<b>Non-Current Assets</b>				
AASB 101.54(h)	Receivables	11			
AASB 15.105	Contract assets	12			
AASB 101.54(g)	Inventories	13			

			Budget	Actual	Actual	Actual
			2021	2021	(restated)	(restated)
		Notes	\$'000	\$'000	2020	1 July 2019
					\$'000	\$'000
AASB 101.54(d)	Financial assets at fair value	14				
AASB 101.54(d)	Other financial assets	15				
	Property, plant and equipment	16				
AASB 101.78a	- Land and buildings					
AASB 101.78a	- Plant and equipment					
AASB 101.78a	- Infrastructure systems					
AASB 101.54(a)	Total property, plant and equipment					
AASB 101.54(b)	Investment property	17				
Treasury Mandate	Right-of-use assets	18				
AASB 101.54(c)	Intangible assets	19				
AASB 101.55	Other non-current assets	20				
	<b>Total Non-Current Assets</b>					
	<b>Total Assets</b>					
	<b>LIABILITIES</b>					
	<b>Current Liabilities</b>					
AASB 101.60, 69						
AASB 101.54(k)	Payables	24				
AASB 15.105	Contract liabilities	12				



			Actual	Actual
			(restated)	(restated)
		Budget	Actual	1 July 2019
		2021	2021	2020
	Notes	\$'000	\$'000	\$'000
AASB 101.54(m)				
AASB 7.8 (e)(g)	Borrowings	25		
AASB 101.54(l)	Provisions	26		
AASB 101.55	Other current liabilities	27		
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AASB 101.54(p)	Liabilities associated with non-current assets held-for-sale	21		
AASB 5.38	<b>Total Current Liabilities</b>			
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AASB 101.60, 69	<b>Non-Current Liabilities</b>			
AASB 15.105	Contract liabilities	12		
AASB 101.54(m)				
AASB 7.8 (e)(f)	Borrowings	25		
AASB 101.54(l)	Provisions	26		
AASB 101.55	Other non-current liabilities	27		
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	<b>Total Non-Current Liabilities</b>			
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	<b>Total Liabilities</b>			
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	<b>Net Assets</b>			
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AASB 101.54(r), 78(e)	<b>EQUITY</b>	28		
	Accumulated funds			

		<b>Budget</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>
		<b>2021</b>	<b>2021</b>	<b>(restated)</b>	<b>(restated)</b>
	<b>Notes</b>	<b>\$'000</b>	<b>\$'000</b>	<b>2020</b>	<b>1 July 2019</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
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	Reserves				
AASB 5.38	Amounts recognised in equity relating to non-current assets held-for-sale	21			
	<b>Total Equity</b>				
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## Further information and contacts

For further Information or clarification on issues raised in this paper please contact:

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