

Illustrative Financial Reports Tightening the screws on financial reporting



Financial years ending on
or after 30 June 2009

Illustrative annual reports

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Section A:

What's new in financial reporting?

Section A

What's new in financial reporting?

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Financial reporting in volatile times

Key focus areas

Over the past year, financial markets have been characterised by significant volatility. This volatility and the current uncertain economic climate are unprecedented in recent times and represent a key test of IFRS, introduced in Australia in 2005. As a result many entities will be dealing with certain aspects of IFRS for the first time, some of which could have significant impacts on reported performance and financial position.

A critical consideration at 30 June 2009 for many entities will be liquidity and cash flows. With illiquid credit markets and difficulties in raising finance and/or renegotiating terms of exiting financing arrangements, all entities need to carefully ensure that the impacts of their financing arrangements are appropriately considered. At a more macro level, business models may need refinement and adaption to new realities. This is particularly true with building asset impairment testing models.

Key focus areas include:

Area	Example considerations
Impairment	<ul style="list-style-type: none"> underlying assumptions on cash flows used in valuation models need to be recalibrated to reflect new economic conditions likelihood of increased risk premiums being built into discount rates due to lower risk appetite in current market rapid changes, both positive and negative, in short term interest rates and their effects on discount rates, including medium and long-term rates, also need to be considered inflation assumptions may be difficult as growth slows and reverses simultaneously across many of the world's economies
Loans, borrowings and other financing	<ul style="list-style-type: none"> classification of debt as current or non-current in light of actual and potential covenant breaches and unusual embedded terms which may be triggered in the current economic climate
Provisions and other long-term obligations	<ul style="list-style-type: none"> long-term discount rates may materially impact the carrying amount of provisions whether any contractual obligations are onerous
Receivables	<ul style="list-style-type: none"> recoverability of trade receivables disclosures around allowances for credit losses
Investments	<ul style="list-style-type: none"> 'available-for-sale' reserves that are in debit (losses) may need to be recycled to the income statement, directly impacting profits
Held for sale assets	<ul style="list-style-type: none"> whether the expected sale can be demonstrated to be probable
Loans, borrowings and other financing	<ul style="list-style-type: none"> possibility of embedded derivatives in old or newly renegotiated contracts that may have value in the current climate, even if previously immaterial or not identified
Financial instruments	<ul style="list-style-type: none"> difficulties in determining fair value in inactive markets ability to reclassify financial assets under AASB 2008-10 impact of counterparty risk on fair values whether items previously classified as a 'cash equivalent' still meet the definition whether classification of financial assets as held to maturity is still appropriate re-assess likelihood that group guarantees may be called upon whether contracts which previously met the 'own use' exemption under AASB 139 are no longer able to meet the exemption requirements due to contracts being net settled or changes in expected supply and demand
Hedges	<ul style="list-style-type: none"> effectiveness testing of hedging arrangements may come under pressure in volatile markets if key variables move outside expected ranges at the inception of the lease whether a hedged forecast transaction can still be demonstrated to be highly probable
Share-based payments	<ul style="list-style-type: none"> valuation of share-based payment arrangements under AASB 2 can be more judgemental where key valuation variables depart from historical trends or move quickly accounting for cancellation or modification of share-based payment schemes can have a significant impact on reported profits unforeseen accounting and tax consequences of scheme modifications
Deferred taxes	<ul style="list-style-type: none"> application of the 'probable profits' test for deferred tax assets recoverability of carry forward tax losses
Investments	<ul style="list-style-type: none"> (voluntary) changes to the structure of special purpose entities or their relationship with sponsoring or other entities may result in consolidation

Disclosures with increased significance in the current economic climate

Key sources of estimation uncertainty	<p>AASB 101 <i>Presentation of Financial Statements</i> requires management to disclose the judgements they have made in applying their accounting policies, the assumptions made about the future, as well as other major sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year. These disclosures may commonly arise in areas such as the valuation of financial instruments and determination of recoverable amount in impairment testing.</p> <p>Disclosure should not only be limited to the nature of an assumption or other estimation uncertainty. The degree of sensitivity of the carrying amounts of assets to changes in the underlying assumptions has to be disclosed. Only if this is not practically possible, a statement must be made to the effect that the actual results may vary from the assumptions within the next financial year.</p> <p>Disclosures about key judgements should also be critically assessed. Examples of such disclosures include revenue recognition in respect of significant one-off transactions and decisions made to consolidate or not consolidate entities.</p> <p>Refer to note 3 'Critical accounting judgements and key sources of estimation uncertainty' in section B for an illustrated example.</p>
Market and liquidity risk	<p>Under AASB 7 <i>Financial Instruments: Disclosures</i>, an entity must disclose its exposure to market risk through either a sensitivity analysis or a 'value at risk' analysis. AASB 7 requires an entity to 'flex' the sensitivity analysis for movements in market risk that are expected to occur between the year end and the next reporting date. The extent of flex in the sensitivity analysis must be reasonable given current conditions. If an entity discloses a value at risk, the assumptions and inputs must reflect current market conditions.</p> <p>Given the market focus on the debt position of many entities, increased scrutiny of liquidity disclosures is expected. Some entities may choose to provide additional narrative and other disclosures in addition to the mandatory requirements of AASB 7 to ensure users are fully informed of the entity's liquidity position.</p> <p>Refer to note 43(d) and (e) 'Financial instruments' in section B for an illustrated example.</p>
Impairment	<p>AASB 136 <i>Impairment of Assets</i> requires additional detailed disclosures in relation to cash generating units that contain goodwill or intangible assets with indefinite useful lives, regardless of whether an impairment loss has been recognised or not.</p> <p>If a reasonable possible change in a key assumption on which management has based its determination of the cash generating unit or group of units' recoverable amount would cause the unit or group of units' carrying amount to exceed its recoverable amount, the entity must disclose:</p> <ul style="list-style-type: none"> (a) the amount by which the unit's or group of units' recoverable amount exceeds its carrying amount (b) the value assigned to the key assumption (c) the amount by which the value assigned to the key assumption must change, after incorporating any consequential effects of that change on the other variables used to measure recoverable amount, in order for the unit's or group of units' recoverable amount to equal its carrying amount.
Events after balance sheet date	<p>Careful consideration needs to be given in distinguishing between adjusting and non-adjusting events when calculating or establishing impairments and fair values. The conditions that existed at balance sheet date must be determined, and the fair value of assets at the date of approval of the financial report may not be indicative of their values at balance sheet date.</p>

Financial reporting changes for years ending 30 June 2009

Overview

In light of the pervasive impacts that the global financial crisis has under IFRS, it is fortunate that there are not a large number of new and revised pronouncements that must be applied for the first time at 30 June 2009. In summary terms, there are four new Interpretations (and the associated 'service standard' to bring them into the law), the effect of amendments arising from the IASB's response to the global financial crisis and, for ASX listed entities, the revised Corporate Governance Principles to apply.

Interpretation 12 *Service Concession Arrangements*

New accounting requirements

Service concessions are arrangements whereby a government or other public sector entity ('the grantor') grants contracts for the supply of public services (e.g. roads) to private sector operators. The Interpretation addresses the accounting by service concession operators in instances where the grantor controls the use of the infrastructure and any significant

residual interest in the infrastructure at the end of the term of the arrangement. 'Whole of life' type arrangements are also scoped into the Interpretation.

The Interpretation clarifies that, for arrangements within its scope, the infrastructure assets received or constructed by operators are not property, plant and equipment of the operator. However, certain assets may have been provided to the operator by the grantor as a form of consideration of their services – these should be recognised as assets of the operator.

Key practical considerations

This interpretation only applies to public-to-private service concession arrangements by private sector operators. It does not provide guidance to public sector grantors.

Impact on the financial statements

Revenue and costs relating to the construction or upgrade of the infrastructure assets are recognised in income in accordance with AASB 111 *Construction Contracts*. During this phase, depending on the terms of the arrangement, the resulting asset is recognised by the operator as either:

- a financial asset (where the operator is entitled to receive a specific amount of cash over the arrangement's life);
- an intangible asset (where the operator's future cash flows are contingent); or
- both a financial asset and an intangible asset (where the operator's return is provided partially by a financial asset and partially by an intangible asset).

The operator is required to recognise revenue and costs relating to operation services in accordance with AASB 118 *Revenue*.

In practice the determination of whether this Interpretation applies to a specific arrangement can be complex and it may be appropriate to seek professional advice.

Interpretation 13 *Customer Loyalty Programmes*

New accounting requirements

This Interpretation changes the way that customer loyalty programmes are commonly accounted for, adopting a revenue allocation rather than cost accrual approach. Prior to the application of Interpretation 13, many entities would have recognised a provision for the future costs expected in providing discounts or free products or services under the award programme.

The new accounting treatment views a customer loyalty programme as a multiple element arrangement whereby the loyalty awards are recognised as separate goods or services that are delivered at a later date. Accordingly, the consideration received from the sale of goods and services that gave rise to the loyalty award is allocated on a fair value basis to:

- the goods or services delivered
- the award credits that will be redeemed in future.

The fair value of the loyalty award component is based on the fair value to the customer rather than the cost to the issuer. The consideration allocated to the loyalty awards is treated as deferred revenue in the balance sheet until the loyalty awards are either redeemed by the customer or they expire.

The requirements of Interpretation 13 must be retrospectively applied.

Key practical considerations

The retrospective application of Interpretation 13 means that the opening balances for the comparative financial year must be restated to reflect the new accounting requirements under the Interpretation.

Entities should therefore consider the expiry period for past customer loyalty awards, as those loyalty awards outstanding at the start of the comparative financial year must be accounted for under the 'multiple element arrangement' requirements of the Interpretation. In some cases, this could be quite a daunting task where the level of information previously kept is insufficient to perform the necessary calculations.

The Interpretation will require an adequate and specific method of record keeping, including the dates when awards are earned and expire.

The expected redemptions of awards is a key factor in determining the original fair value of the awards that is deferred. The objective is to determine an accurate estimate of expected redemptions to maximise the total deferred revenue released into the income statement as a result of awards being redeemed rather than as a result of the original redemption estimate being incorrect.

The key to successful accounting for customer loyalty programmes under Interpretation 13 therefore relies on comprehensive information systems that give the entity accurate and up to date information to perform the revenue allocation and deferral.

Impact on the financial statements

The following illustrate the impacts of Interpretation 13 on the financial statements:

- a revised revenue accounting policy may be required – see Note 2(g) on page B51.
- the effect of adopting the new Interpretation must be disclosed – see note 2(g) on page B51.
- various other balances in the financial statements will change.

Interpretation 14 *AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

New accounting requirements

This Interpretation deals with the following issues:

- when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of AASB 119 *Employee Benefits*

- how a minimum funding requirement might affect the availability of reductions in future contributions
- when a minimum funding requirement might give rise to a liability.

Key practical considerations

Interpretation 14 will only impact entities that have defined benefit plans.

Impact on financial statements

Post employment benefit assets or liabilities may be affected when there is a statutory on contractual minimum funding requirement. The Interpretation will standardise practice and ensure that entities recognise and asset in relation to a surplus on a consistent basis.

No additional liability need to be recognised by employers under Interpretation 14 unless the contributions that are payable under the minimum funding requirement cannot be returned by the company.

AASB 1048 *Interpretation and Application of Standards* (March 2009)

This so-called 'service standard' is periodically reissued to provide a mandatory legal requirement to comply with Interpretations in the Australian context. It does not contain any additional disclosure or other requirements in its own right.

Amendments arising from the IASB's response to the global financial crisis

New accounting requirements

During late 2008 and early 2009, the AASB issued two pronouncements that replicate urgent amendments made to IFRS by the IASB: AASB 2008-10 *Amendments to Australian Accounting Standards - Reclassification of Financial Assets* and AASB 2008-12 *Amendments to Australian Accounting Standards - Reclassification of Financial Assets - Effective Date and Transition*

These amendments change the reclassification requirements of AASB 139 *Financial Instruments: Recognition and Measurement* to permit an entity to:

- reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances
- transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available for sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future.

Also introduces new disclosure requirements into AASB 7 *Financial Instruments: Disclosures* for items that have been reclassified.

An entity cannot reclassify a financial asset before 1 July 2008. Any reclassification of a financial asset made on or after 1 November 2008 can take effect only from the date when the reclassification is made.

Key practical considerations

Whilst the ability to reclassify additional financial instruments was introduced as an urgent response to the global financial crisis, the applicability and use of the amendments is not expected to be widespread.

Impact on financial statements

- where financial instruments are reclassified under the amendments, the new disclosure requirements introduced into AASB 7 must be followed.

Revised ASX Corporate Governance Principles and Recommendations

Summary of changes

The ASX has released their revised Corporate Governance Principles and Recommendations (the Principles). The new Principles continue the non-prescriptive 'if not, why not' disclosure-based approach to Australian Corporate Governance. The new ASX Principles will apply for financial years beginning on or after 1 January 2008 (i.e. for a 30 June balance date company, 30 June 2009).

Key changes include:

- reducing the number of principles from ten to eight
- reducing the number of recommendations from 28 to 26
- removing the term 'best practice'
- removing prescriptive requirements as much as possible
- changes to Principle 7 including introduction of material business risks
- changes around the independence of directors
- more guidance for trusts and other externally managed entities
- additional guidance on equity remuneration of executives.

More information on the revised Principles is available [by clicking here](#).

Impact on financial statements

- the new Principles have been used in preparing our illustrative corporate governance statement on pages B1-B3.

Other key developments

ASIC's likely focus areas

In early December 2008, ASIC issued a media release designed to share their findings from their review of 30 June 2008

annual reports. Additionally, the media release provides information on ASIC's areas of focus for the 31 December 2008 reporting period.

Many of ASIC's focus areas are somewhat predictable in the current climate, including going concern, impairment, fair values, off-balance sheet arrangements and disclosure. ASIC has highlighted its key concerns in each area and given key recommendations.

The media release is available [from the ASIC website](#). An equivalent release might be expected prior to the June 2009 reporting season and is likely to cover many of the same topics as the December release.

Impact on financial reporting

Whilst there are no direct financial reporting impacts of the ASIC guidance, it is important that entities carefully heed ASIC's advice and pay particular attention to the areas highlighted. Directors, management and auditors will need to be able to vigorously defend the approaches taken in the financial report.

Australian emissions trading scheme

The Federal Government ('Government') released the Carbon Pollution Reduction Scheme ('CPRS') Legislation Exposure Draft on 10 March 2009 ('Draft Legislation'). It is the Government's intention that the Draft Legislation will be introduced and heard in Parliament in May 2009, with the legislation passed into law in June 2009, ahead of the introduction of the CPRS from 1 July 2010. However, this timeline is subject to some uncertainty given the Federal Opposition has announced that it will not support the legislation in its current form. Organisations with facilities in specified sectors (stationary energy & transport) that emit more than 25,000 tonnes of CO₂-equivalent ('CO₂-e') will be required to surrender an emissions permit (Australian emissions unit) for each tonne of CO₂-e produced in that year.

There is currently no formal guidance at the International or Australian levels on how to account for permits issued under emission trading schemes. IFRIC 3 Emission Rights was withdrawn in June 2005 by the International Accounting Standards Board ('IASB') because of a lack of symmetry between the recognition and measurement of the permit asset and the emissions obligation. There are however various accounting treatments adopted in Australia which can be accessed through the document "Australian emissions trading scheme" available on the Deloitte website through clicking the link below.

The IASB and AASB have both added emission rights accounting to their respective agendas, however an exposure draft is not expected from the IASB until mid 2009.

For more information and contacts please [click here](#).

Impact on financial reporting

Notwithstanding the lack of guidance on how to account for an Emissions Trading Scheme (ETS) itself, the probability of some sort of ETS being introduced into Australia does result in a number of financial reporting considerations in the current period.

These include:

- the need for impairment testing – the proposed ETS may in some cases be a so-called 'trigger' requiring an impairment test to be performed
- the impact on impairment models – it may be difficult to adjust cash flows used in recoverable amount models for the impacts of the possible ETS and this may mean that higher discount rates need to be used for particular CGUs, particularly if market participants in the industry segment in which the CGU operates would make such an adjustment
- disclosure of significant adjustments and estimation uncertainties – in industries where the proposed ETS may have a material impact, additional disclosures should be considered to comply with the requirements of AASB 101 *Presentation of Financial Statements*. Such disclosures might include the manner in which the proposed ETS has been taken into account in the determination of recoverable amount and the possible impacts that it may have on the reported carrying amounts of assets and liabilities
- hedging programs – in some industries (particularly the electricity sector), a number of hedging arrangements include clauses that adjust the 'fixed leg' of the contract for any future ETS impacts so that the cost of buying credits is 'passed through' under the arrangements. This can have the effect, at least on a technical analysis, of undermining hedge accounting or hedge effectiveness, although the jury remains out as to whether this interpretation will be sustained
- 'substantive enactment' of the ETS legislation – at the date of preparation of this publication, the proposed ETS legislation had been released by the Federal Government but had not yet passed into law. In the event that the legislation is passed prior to 30 June 2009, entities would be required to take its effects into account in financial reporting, potentially requiring the reassessment of impairment models and potential the recognition of provisions and other liabilities. However, in the event that the ETS legislation is passed after year end, subsequent event type disclosures may instead be required.
- Valuation of carbon pass-through clauses or price adjustments in forward contracts – also impacting on hedge accounting
- Impact on environment provisions and also contingent liabilities that will be impacted by the CPRS

Taxation of Financial Arrangements (TOFA)

Final legislation was tabled in December 2008 covering new rules for taxation of financial arrangements (TOFA).

The TOFA reforms will provide taxpayers with different options as to the recognition of assessable income and allowable deductions in respect of certain financial assets and liabilities (financial instruments). The new options available are largely aligned with the treatment specified in the accounting requirements of AASB 121 *The Effects of Changes in Foreign Exchange Rates*, AASB 132 *Financial Instruments: Presentation* and AASB 139 *Financial Instruments: Recognition and Measurements*. Currently the tax treatment of financial instruments is a mixture of the cash and accruals basis of

realisation, which may result in significant temporary differences when comparing accounting carrying values and tax bases, often creating problems with systems, cash flow management and franking capacity.

In broad terms, taxpayers will be required to choose between an accruals / realisation based approach or align the tax treatment of financial assets more closely with accounting by electing to adopt the fair value, hedging, retranslation and / or financial reports approaches for tax purposes.

The new rules will be mandatory for income years beginning on or after 1 July 2010 with an elective earlier start date of 1 July 2009.

For more information on TOFA, please contact your Deloitte advisor or contact us by [clicking here](#).

Impact on financial reporting

The impact of the proposed TOFA rules is not expected to have a direct impact on financial reporting at 30 June 2009. The main impact in subsequent periods will, depending on the elections made by the entity, be a change in the tax base of certain financial instruments, thereby impacting the entity's deferred tax balances. The proposed transitional requirements of the TOFA rules can also create additional deferred taxes in some cases.

However, because of the strong linkage to accounting outcomes under the TOFA rules, there will be an increased emphasis on accounting measurements where they are also used for tax purposes. Measurements at 30 June 2009 will be particularly relevant for those entities that are considering early adoption.

There may be some impacts on the market value of instruments, or other changes to tax structures that have indirect impacts on financial reporting measures, impairment of financial instruments and so on. Therefore, entities considering their options under the TOFA rules should include consideration of the direct and indirect financial reporting impacts.

Federal government stimulus package effects

At the time of publication, the Federal Government had announced and passed into law two separate 'stimulus packages' in response to the global financial crisis.

Although the majority of the stimulus packages are targeted at the household level or on public sector expenditures, one of the measures included is a form of investment allowance, the so-called 'Small Business and General Business Tax Break', which provides a temporary 30 per cent investment allowance to small businesses for eligible capital investments of \$1,000 or over, and for other businesses for capital investments of \$10,000 or more.

Where entities take advantage of the investment tax credit, there is no impact on the ability to claim depreciation in the future, i.e. the full amount is depreciated in accordance with the normal rules.

In addition, there are certain tax payment deferrals and other concessions provided to businesses.

Impact on financial reporting

The main financial reporting impact of the investment tax credit is how to account for it under IFRS. It is likely that the allowance will be considered an 'investment tax credit' which is excluded from the scope from AASB 112 *Income Taxes*, meaning that there is no directly applicable guidance under IFRS as to how to account for such allowances. Accordingly, alternative accounting treatments that may be possible, including treatment as a current tax benefit, government grant or investment tax credit, as revenue or as an adjustment to the tax base of the associated asset. Each of these possibilities has varying levels of support and accepted practice may emerge over time.

In addition, there may be more generalised impacts of the stimulus packages on financial reporting, including indirect impacts on forecast cash flows in recoverable amount models and the effect of other measures.

New guidance on 'non-statutory profit' disclosures

In mid-March 2009, guidance was issued by The Australian Institute of Company Directors (AICD) and Financial Services Institute of Australia (Finsia) in relation to 'non-statutory profit' disclosures in financial reports.

Concern had been raised about widespread use of different 'non-statutory profit' disclosures, which nonetheless can be valuable information for users of the financial information.

The AICD and Finsia guidance seeks to encourage companies to disclose any non-statutory measure of profit in a responsible and consistent manner. Key aspects of the guidance include:

- the recommendation that any non-statutory measure of profit disclosed be termed 'underlying profit'.
- the establishment of seven principles to reporting underlying profit, including a principle that 'underlying profit' be reconciled to net profit after tax (NPAT) included in statutory financial reports
- examples of the common items that adjust NPAT to arrive at underlying profit.
- a suggestion that companies following the guidance should disclose that fact.

Impact on financial reporting

Whilst there is no direct impact of the guidance on the financial statements themselves, entities should reassess disclosed financial information elsewhere in the annual or other financial report in light of the guidelines.

Changes in reporting requirements arising from Accounting Standards and Interpretations.

Below is a summary of all the significant changes in Australian reporting requirements affecting financial reporting periods beginning on or after 1 July 2008, with their effective application dates. References to material that provides further information is included.

This information is updated on a regular basis and available from our website through [clicking here](#)

New or revised requirement	Effective for annual reporting periods beginning/ ending on or after	Applicable to June 2009	Further references
New Standards applicable to reporting periods beginning 1 July 2008			
AASB 1048 Interpretation and Application of Standards (March 2009) Updated version of this 'service standard' to provide a mandatory requirement to comply with Interpretations in the Australian context.	Applies prospectively to annual reporting periods ending on or after 31 March 2009	✓	See the related Interpretations below
AASB 2008-10 Amendments to Australian Accounting Standards - Reclassification of Financial Assets Amends the reclassification requirements of AASB 139 <i>Financial Instruments: Recognition and Measurement</i> to permit an entity to: <ul style="list-style-type: none"> reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available for sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. Also introduces new disclosure requirements into AASB 7 <i>Financial Instruments: Disclosures</i> for items that have been reclassified. <i>Note: An entity cannot reclassify a financial asset before 1 July 2008. Any reclassification of a financial asset made on or after 1 November 2008 can take effect only from the date when the reclassification is made.</i>	Applies from 1 July 2008 (see note in previous column regarding reclassifications)	✓	Accounting alert 2008/14 IAS Plus Newsletter (October 2008, PDF 96kb)
AASB 2008-12 Amendments to Australian Accounting Standards - Reclassification of Financial Assets - Effective Date and Transition Equivalent to IASB amendments made in November 2008. Clarifies the effective date of the amendments made to AASB 139 and AASB 7 as a result of the issuance of AASB 2008-10 in November 2008.	Applies on or after 1 July 2008	✓	Accounting alert 2008/14 IAS Plus Newsletter (October 2008, PDF 96kb)
New Standards applicable to reporting periods beginning on or after 1 January 2009			
AASB 1039 Concise Financial Reports (revised) Revised AASB 1039 that incorporates changes in terminology and descriptions of the financial statements to achieve consistency with AASB 101 <i>Presentation of Financial Statements</i> (September 2007) and updates the segment disclosure requirements to be consistent with AASB 8 <i>Operating Segments</i> .	Applies to annual reporting periods beginning on or after 1 January 2009	✗ Optional	Accounting alert 2008/11
AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate This Amending Standard: <ul style="list-style-type: none"> amends AASB 127 <i>Consolidated and Separate Financial Statements</i> to remove the definition of the 'cost method' and to require the separate financial statements of a new parent formed as the result of a specific type of reorganisation to measure the cost of its investment in the previous parent at the carrying amount of its share of the equity items of the previous parent at the date of the reorganisation removes from AASB 118 <i>Revenue</i> the requirement to deduct dividends declared out of pre-acquisition profits from the cost of an investment in a subsidiary, jointly controlled entity or associate. Therefore, all dividends from a subsidiary, jointly controlled entity or associate are recognised by the investor as income implements consequential amendments to AASB 136 <i>Impairment of Assets</i>, introducing a new indicator of impairment for investments in subsidiaries, jointly controlled entities and associates where a dividend has been recognised 	Applies prospectively for annual reporting periods beginning on or after 1 January 2009	✗ Optional	Accounting alert 2008/09 IAS Plus Newsletter (May 2008, PDF 102kb) IAS Plus project page

New or revised requirement	Effective for annual reporting periods beginning/ ending on or after	Applicable to June 2009	Further references
<ul style="list-style-type: none"> allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous GAAP to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. 			
<p>AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Process</p> <p>Makes amendments to 25 different Standards and is equivalent to the IASB Standard <i>Improvements to IFRSs</i> issued in May 2008. The amendments largely clarify the required accounting treatment where previous practice had varied, although some new or changed requirements are introduced. Topics include below market interest-rate government loans, accounting for advertising and promotional expenditure, investment property under construction and the reclassification to inventories of property, plant and equipment previously held for rental when the assets cease to be rented and are held for sale.</p> <p><i>Note: The insertion of early adoption conditions in some of the individual Standards that are amended by this Standard means that the amendments to each of those Standards can be applied separately from the amendments to the other Standards, provided the early adoption conditions in the particular Standard are satisfied.</i></p>	<p>Applies retrospectively (with a few minor exceptions) to annual reporting periods beginning on or after 1 January 2009.</p>	<p>✕ Optional</p>	<p>Accounting alert 2008/09</p> <p>IAS Plus Newsletter (May 2008, PDF 136kb)</p> <p>IAS Plus project page</p>
<p>AASB 2008-2 Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations arising on Liquidation</p> <p>Amends AASB 132 <i>Financial Instruments: Presentation</i> and AASB 101 <i>Presentation of Financial Statements</i> to introduce equivalent requirements to the IASB's <i>Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation</i>. Permits certain puttable financial instruments and instruments (or components of instruments) that impose on the entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met.</p>	<p>Applies retrospectively to annual reporting periods beginning on or after 1 January 2009</p>	<p>✕ Optional</p>	<p>Accounting alert 2008/03</p> <p>IAS Plus Newsletter (February 2008, 101kb)</p>
<p>AASB 2008-1 Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations</p> <p>Amends AASB 2 <i>Share-based Payment</i> to introduce equivalent amendments made to IFRS 2 <i>Share-based Payment</i> by the IASB to:</p> <ul style="list-style-type: none"> clarify that vesting conditions are those conditions that determine whether the entity receives the services that result in the counterparty's entitlement restrict the definition of vesting conditions to include only service conditions and performance conditions amend the definition of performance conditions to require the completion of a service period in addition to specified performance targets specify that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. 	<p>Applies retrospectively to annual reporting periods beginning on or after 1 January 2009</p>	<p>✕ Optional</p>	<p>Accounting alert 2008/02</p> <p>IAS Plus Newsletter (January 2008, 126kb)</p>
<p>AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101</p> <p>This Amending Standard changes the term 'general purpose financial report' to 'general purpose financial statements' and the term 'financial report' to 'financial statements', where relevant, in Australian Accounting Standards (including Interpretations) to better align with IFRS terminology.</p>	<p>Applies to annual reporting periods beginning on or after 1 January 2009</p>	<p>✕ Optional</p>	<p>Accounting alert 2007/20</p>

New or revised requirement	Effective for annual reporting periods beginning/ ending on or after	Applicable to June 2009	Further references
New Standards applicable to reporting periods beginning 1 July 2009			
AASB 2008-8 Amendments to Australian Accounting Standards - Eligible Hedged Items Clarifies the hedge accounting provisions of AASB 139 <i>Financial Instruments: Recognition and Measurement</i> to address: <ul style="list-style-type: none"> inflation in a financial hedged item - inflation may only be hedged if changes in inflation are a contractually specified portion of cash flows of a recognised financial instrument a one-sided risk in a hedged item - the amendments make clear that the intrinsic value, not the time value, of an option reflects a one-sided risk and, therefore, an option designated in its entirety cannot be perfectly effective. 	Applies retrospectively to annual reporting periods beginning on or after 1 July 2009	✕ Optional	IAS Plus Newsletter (July 2008, PDF 140kb) IAS Plus project page
AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process Makes amendments to Australian Accounting Standards AASB 1 <i>First-time Adoption of Australian Equivalents to International Financial Reporting Standards</i> and AASB 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> to include requirements relating to a sale plan involving the loss of control of a subsidiary. The amendments require all the assets and liabilities of such a subsidiary to be classified as held for sale and clarify the disclosures required when the subsidiary is part of a disposal group that meets the definition of a discontinued operation. <i>Note: The amendments cannot be early adopted for annual reporting periods beginning before 1 July 2009 unless AASB 127 'Consolidated and Separate Financial Statements' (as amended by AASB 2008-5 in July 2008) is also applied.</i>	Applies prospectively to annual reporting periods beginning on or after 1 July 2009	✕ Optional	Accounting alert 2008/09 IAS Plus Newsletter (May 2008, PDF 136kb) IAS Plus project page
New Australian Interpretations applicable to reporting periods beginning 1 January 2008			
Interpretation 14 AASB 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction This Interpretation deals with the following issues: <ul style="list-style-type: none"> when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of AASB 119 Employee Benefits how a minimum funding requirement might affect the availability of reductions in future contributions when a minimum funding requirement might give rise to a liability.	Applies from the beginning of annual reporting periods beginning on or after 1 January 2008	✓	Accounting alert 2007/14 IAS Plus Newsletter (July 2007, 221kb) IAS Plus project page
Interpretation 12 Service Concession Arrangements, Interpretation 4 Determining whether an Arrangement contains a Lease (revised), Interpretation 129 Service Concession Arrangements: Disclosure (revised), AASB 2007-2 Amendments to Australian Accounting Standards arising from AASB Interpretation 12 Addresses the appropriate accounting for service concession arrangements under which private sector entities participate in the development, financing, operation and maintenance of infrastructure for the provision of public services, such as transport, water and energy facilities.	Applies retrospectively (with a few minor exceptions) to annual reporting periods beginning on or after 1 January 2008	✓	IAS Plus Newsletter (December 2006, PDF 128kb) Our overview analysis of AASB Interpretation 12 Service Concession Arrangements

New or revised requirement	Effective for annual reporting periods beginning/ ending on or after	Applicable to June 2009	Further references
New Australian Interpretations applicable to reporting periods beginning 1 July 2008			
Interpretation 13 Customer Loyalty Programmes Adopts a revenue allocation rather than cost accrual approach to accounting for customer loyalty programmes. In other words, loyalty awards are not seen as costs that directly relate to the goods or services already delivered, rather they are considered separate goods or services delivered at a later date for which revenue from the initial transaction(s) must be allocated and deferred.	Applies retrospectively to annual reporting periods beginning on or after 1 July 2008	✓	Accounting alert 2007/14 IAS Plus newsletter (June 2007, PDF 106kb) IAS Plus project page
New Australian Interpretations applicable to reporting periods beginning 1 October 2008			
Interpretation 16 Hedges of a Net Investment in a Foreign Operation Provides guidance on net investment hedging, including: <ul style="list-style-type: none"> • which foreign currency risks qualify for hedge accounting, and what amount can be designated • where within the group the hedging instrument can be held • what amount should be reclassified to profit or loss when the hedged foreign operation is disposed of. 	Applies to annual reporting periods beginning on or after 1 October 2008, with hedge accounting being discontinued for non-compliant hedges	✗ Optional	IAS Plus Newsletter (July 2008, PDF 122kb) IAS Plus project page
New Australian Interpretations applicable to reporting periods beginning 1 January 2009			
Interpretation 15 Agreements for the Construction of Real Estate Addresses the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, specifically two (related) issues: <ul style="list-style-type: none"> • determining whether an agreement for the construction of real estate is within the scope of AASB 111 Construction Contracts or AASB 118 Revenue • when revenue from the construction of real estate should be recognised. 	Applies retrospectively to annual reporting periods beginning on or after 1 January 2009	✗ Optional	IAS Plus Newsletter (July 2008, PDF 133kb) IAS Plus project page
New Australian Interpretations applicable to reporting periods beginning 1 July 2009			
Interpretation 17 Distributions of Non-Cash Assets to Owners and AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17 Distributions of Non-Cash Assets to Owners Requires: <ul style="list-style-type: none"> • a dividend payable to be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity • an entity to measure the dividend payable at the fair value of the net assets to be distributed • an entity to recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss • an entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation. AASB 2008-13 makes consequential amendments to AASB 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> and AASB 110 <i>Events After the Reporting Period</i> . <i>Note: an entity early adopting Interpretation 17 must also apply AASB 3(2008), AASB 127(2008) and AASB 5 (as amended by AASB 2008-13).</i>	Applies prospectively to annual reporting periods beginning on or after 1 July 2009	✗ Optional	IAS Plus Newsletter (December 2008, PDF 104kb)

New or revised requirement	Effective for annual reporting periods beginning/ ending on or after	Applicable to June 2009	Further references
<p>IFRIC 18 Transfers of Assets from Customers</p> <p>The Interpretation clarifies the accounting for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water).</p> <p>The key requirements of the Interpretation include:</p> <ul style="list-style-type: none"> an asset is only recognised where it meets the definition of an asset in the Framework transferred assets that meet the definition of an asset are initially recognised at fair value revenue arising from the recognition of the transferred assets is recognised in accordance with the requirements of IAS 18 Revenue. Revenue may involve one or more services in exchange for the transferred item, such as connecting the customer to a network, providing the customer with ongoing access to a supply of goods or services, or both. <p>The Interpretation makes consequential amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards (as revised in 2008).</p> <ul style="list-style-type: none"> Note: Earlier application of IFRIC 18 is permitted provided the valuations and other information needed to apply the Interpretation to past transfers were obtained at the time those transfers occurred. 	Applies prospectively to transfers of assets from customers received on or after 1 July 2009	✗ Optional (see note regarding early adoption)	IASB press release (PDF 61kb) IAS Plus summary
Not-for-profit entities			
<p>AASB 2008-11 Amendments to Australian Accounting Standard - Business Combinations Among Not-for-Profit Entities</p> <p>Amends AASB 3 <i>Business Combinations</i> to confirm that combinations involving not-for-profit entities are within its scope. The amendments have the effect of requiring assets acquired in a merger of not-for-profit entities to be re-measured, normally at fair value, as at the date of the merger. However, AASB 2008-11 specifies different requirements for local governments, which are provided with the choice as to whether to re-measure assets acquired in an amalgamation of local governments.</p>	Applies to annual reporting periods beginning on or after 1 July 2009	✗ Optional	Accounting alert 2008/15
<p>AASB 2008-9 Amendments to AASB 1049 for consistency with AASB 101</p> <p>Amends AASB 1049 <i>Whole of Government and General Government Sector Financial Reporting</i> to reflect the revised requirements in AASB 101 (September 2007), including presenting a whole of government and GGS statement of changes in equity, and using AASB 101 terminology. Also clarifies the government operating statement requirements and the budgeted information disclosure requirements.</p>	Applies to annual reporting periods beginning on or after 1 July 2009	✗ Optional	IAS Plus Newsletter (July 2008, PDF 140kb) IAS Plus project page

Pronouncements approved by the IASB/IFRIC where an equivalent pronouncement has not been issued by the AASB

Why are these important?

Paragraph 30 of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* requires disclosures in relation to all new or revised Accounting Standards and Interpretations that have had or may have a material impact on the annual financial report of the entity, whether they have been adopted or not. For for-profit entities, these disclosures effectively also apply to pronouncements issued by the IASB/IFRIC where an equivalent Australian pronouncement has not been made by the AASB at the date of signing the financial report.

Although it might be argued that disclosures around these pronouncements are not technically required by paragraph 30 of AASB 108, for-profit entities should consider disclosing the information required by that paragraph (where material) in relation to a Standard or Interpretation issued by the IASB/IFRIC where an equivalent Australian Standard or Interpretation has not been made by the AASB at the date of signing the financial report. This approach ensures that the entity can make an unreserved statement of compliance with IFRS as required by paragraph 14 of AASB 101 *Presentation of Financial Statements*.

New or revised requirement	Effective for annual reporting periods beginning/ ending on or after	Applicable to June 2009	Further references
IFRS 1 First-time Adoption of International Financial Reporting Standards (reissued 2008) A new version of IFRS 1 resulting from the 2007 annual improvements process which retains the substance of the previous version, but within a changed structure to make it easier for the reader to understand and to better accommodate future changes. <i>Note: The revised Standard originally required application where an entity's first IFRS financial statements are for a period beginning on or after 1 January 2009, with earlier application permitted. However, at its December 2008 meeting, the IASB decided to change the effective date to 1 July 2009, correcting a potential technical problem arising from the interaction of IFRS 1 and other Standards.</i>	Applies to annual reporting periods beginning on or after 1 July 2009	✗ Optional	IAS Plus Newsletter [updated] (December 2008, PDF 113kb)
Improving Disclosures about Financial Instruments – Amendments to IFRS 7 Financial Instruments: Disclosures Amends IFRS 7 <i>Financial Instruments: Disclosures</i> to require enhanced disclosures about fair value measurements and liquidity risk. Among other things, the amendments: <ul style="list-style-type: none"> clarify that the existing IFRS 7 fair value disclosures must be made separately for each class of financial instrument add disclosure of any change in the method for determining fair value and the reasons for the change establish a three-level hierarchy for making fair value measurements used in the disclosures, as follows: <ul style="list-style-type: none"> quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3) require disclosure, for each fair value measurement in the statement of financial position, of which level in the hierarchy was used and any transfers between levels with additional disclosures whenever level 3 is used, including a measure of sensitivity to a change in input data clarify that the current maturity analysis for non-derivative financial instruments should include issued financial guarantee contracts and disclosure of a maturity analysis for derivative financial liabilities. 	Applies to annual reporting periods beginning on or after 1 January 2009 (comparative information is not required in the first year of application)	✗ Optional	IAS Plus summary IASB press release
Embedded Derivatives – Amendments to IFRIC 9 and IAS 39 Clarifies the accounting treatment of embedded derivatives for entities that make use of the reclassification amendment issued by the IASB in October 2008. The reclassification amendment allows entities to reclassify particular financial instruments out of the 'fair value through profit or loss' category in specific circumstances. These amendments to IFRIC 9 <i>Embedded Derivatives</i> and IAS 39 <i>Financial Instruments: Recognition and Measurement</i> clarify that on reclassification of a financial asset out of the 'fair value through profit or loss' category, all embedded derivatives in the reclassified instrument have to be assessed and, if necessary, separately accounted for in financial instruments.	Applies retrospectively to annual reporting periods ending on or after 30 June 2009.	✓	IAS Plus summary IASB Press Release

New/revised Accounting Standards and Interpretations relating to public sector entities

The following Accounting Standards and Interpretations have been issued or revised recently:

- AASB 1004 'Contributions' (revised December 2007), effective for annual reporting periods beginning on or after 1 July 2008;
- AASB 1049 'Whole of Government and General Government Sector Financial Reporting' (revised October 2007), effective for annual reporting periods beginning on or after 1 July 2008;
- AASB 1050 'Administered Items', effective for annual reporting periods beginning on or after 1 July 2008;
- AASB 1051 'Land Under Roads', effective for annual reporting periods beginning on or after 1 July 2008;
- AASB 1052 'Disaggregated Disclosures', effective for annual reporting periods beginning on or after 1 July 2008;
- AASB 2007-9 'Amendments to Australian Accounting Standards arising from the Review of AASs 27, 29 and 31', effective for annual reporting periods beginning on or after 1 July 2008; and
- Interpretation 1038 'Contributions by Owners Made to Wholly-Owned Public Sector Entities' (revised December 2007), effective for annual reporting periods beginning on or after 1 July 2008.

Visit www.deloitte.com.au for further information on the changes introduced by the above pronouncements.

Corporations Act 2001 developments

Development	When effective	More information
ASIC Class Order [CO 08/618] <i>Variation to wholly-owned entities class order</i> Varies Class Order [CO 98/1418] <i>Wholly owned entities</i> by: <ul style="list-style-type: none"> removing condition (h)(i) so that asset values in the holding entity's consolidated financial statements are determined in accordance with accounting standards allowing for the substitution of one trustee for another trustee under condition (s) as contemplated by the pro forma deed of cross guarantee providing greater clarity as to when comparative information is required in note disclosures required for the holding entity's consolidated financial statements. 	Effective from 14 August 2008	-
ASIC Regulatory Guide 43 <i>Financial reports and audit relief</i> ASIC has reissued this regulatory guide (also known as Policy Statement 43) based on legislation and regulations as at 9 October 2008. The guide explains how ASIC may exercise its powers to grant relief from the financial reporting and audit requirements of Pt 2M.2, 2M.3 and 2M.4 (other than Div 4) of the <i>Corporations Act 2001</i> .	Reissued and updated 9 October 2008	-

Useful reference websites

<http://www.deloitte.com.au/>

<http://www.iasplus.com/>

<http://www.aasb.gov.au/>

<http://www.iasb.org/>