

Accounting Standard

AASB 1030

(12/94)

**Application of Accounting
Standards to Financial Year
Accounts and Consolidated
Accounts of Disclosing
Entities other than
Companies**

Issued by the
Australian Accounting Standards Board

The Australian Accounting Standards Board was established by section 224 of the *Australian Securities Commission Act 1989*. It has responsibility for the development of accounting standards for application by companies and other disclosing entities, and for the development of Statements of Accounting Concepts. When making an accounting standard, the Board exercises its statutory powers under section 32 of the *Corporations Act 1989*.

Copies of this Standard are available for purchase from the offices of the Australian Accounting Standards Board, 211 Hawthorn Road, Caulfield, Victoria 3162, Australia.

COPYRIGHT

© 1994 Australian Accounting Standards Board. The copying of this Standard is only permitted in certain circumstances. Enquiries should be directed to the offices of the Australian Accounting Standards Board.

ISSN 1036-4803

CONTENTS

	<i>Standards Paragraphs</i>
PREFACE	
ACCOUNTING STANDARD	
Citation	1
Accounting Standards and Commentary	2-4
Application and Operative Date.....	5
Statement of Purpose	6
Application of Materiality	7
Definitions	8
Disclosing entities	
Application of Accounting Standards	
Financial year accounts or consolidated accounts	9-11
Exceptions	
Comparative Information	12
Transitional Provisions.....	13
COMPATIBILITY WITH INTERNATIONAL AND NEW ZEALAND ACCOUNTING STANDARDS	
DEVELOPMENT OF THE STANDARD	

PREFACE

Application of the Standard

This Standard applies to each disclosing entity other than a company required by the Corporations Law to prepare financial year accounts or consolidated accounts in relation to its first financial year which commences on or after 1 July 1994 and later financial years of the disclosing entity.

Main Features of the Standard

The Standard:

- (a) requires disclosing entities other than companies to comply with Accounting Standards, with some exceptions, in the preparation and presentation of financial year accounts and consolidated accounts;
- (b) provides an exemption from compliance with certain of the requirements of AASB 1010: Accounting for the Revaluation of Non-Current Assets, to undertakings to which prescribed interests relate in relation to their financial assets; and
- (c) does not require disclosing entities other than companies and other bodies corporate listed on the Australian Stock Exchange to apply AASB 1027: Earnings per Share.

ACCOUNTING STANDARD

**AASB 1030: APPLICATION OF ACCOUNTING STANDARDS TO
FINANCIAL YEAR ACCOUNTS AND CONSOLIDATED
ACCOUNTS OF DISCLOSING ENTITIES OTHER THAN
COMPANIES**

Citation

- 1 This Accounting Standard may be cited as Accounting Standard AASB 1030: Application of Accounting Standards to Financial Year Accounts and Consolidated Accounts of Disclosing Entities other than Companies.

Accounting Standards and Commentary

STANDARDS

- 2 **The accounting standards set out in this Standard are shown in bold print. Commentary is shown in normal print immediately after the accounting standards to which it relates.**
- 3 **This Standard is to be interpreted in accordance with the Corporations Law, including Parts 1.2 and 3.6. The commentary contained in this Standard can be used, in accordance with section 109J of the Corporations Law, as an aid to interpreting the accounting standards set out in this Standard.**
- 4 **Any reference in this Standard to another Standard made by the Australian Accounting Standards Board shall be taken to include a reference to that Standard, as subsequently replaced or amended by a Standard (if any) made by the Board, as it applies to the accounting period for which the accounts or consolidated accounts are being prepared.**

Application and Operative Date

STANDARDS

- 5 **This Standard applies to each disclosing entity which is not a company in relation to its first financial year commencing on or after 1 July 1994 and later financial years of the disclosing entity.**

COMMENTARY

- (i) The Australian Accounting Standards Board made this Standard having had regard to the matters stated in subsection 32(3) of the *Corporations Act 1989*. Notice of this Standard has been published in the *Commonwealth of Australia Gazette*.
- (ii) In all cases, a requirement of this Standard has effect to the extent that it is not inconsistent with any provision of the Corporations Law or the Corporations Regulations.
- (iii) The financial reporting provisions of the *Corporate Law Reform Act 1994* commenced on 1 July 1994. This Standard applies to financial years that commence on or after that date.

Statement of Purpose

STANDARDS

- 6 **The purpose of this Standard is to prescribe requirements for the preparation and presentation of financial year accounts or consolidated accounts required by the Corporations Law of disclosing entities which are not companies, by extending (with some exceptions) the applicability of other Accounting Standards.**

COMMENTARY

- (iv) In dealing with disclosing entities, the Corporations Law distinguishes bodies (which includes companies) from undertakings to which prescribed interests relate. A significant aspect of this distinction is that the Law requires an undertaking to which prescribed interests relate to prepare accounts but not consolidated accounts. The use of the phrase "accounts or consolidated accounts" in this Standard acknowledges that a disclosing entity may not be required to prepare both accounts and consolidated accounts. This Standard applies to the accounts and to the consolidated accounts required by the Law to be prepared by disclosing entities which are not companies.
- (v) Under the Corporations Law, disclosing entities are required to prepare accounts or consolidated accounts as follows:
 - (a) each disclosing entity is required to prepare financial year accounts;
 - (b) each disclosing entity which is both a body and the parent entity in an economic entity which is a reporting entity is

- required to prepare financial year consolidated accounts and half-year consolidated accounts;
- (c) each disclosing entity which is a body but not the parent entity in an economic entity which is a reporting entity is required to prepare half-year accounts; and
 - (d) each disclosing entity which is an undertaking to which prescribed interests relate is required to prepare half-year accounts.
- (vi) Statement of Accounting Concepts SAC 2 "Objective of General Purpose Financial Reporting" states that general purpose financial reports are intended to provide information useful to users for making and evaluating decisions about the allocation of scarce resources. Such decision making is likely to involve users in assessing the performance, financial position, and financing and investing activities of the entity. The application of Accounting Standards by disclosing entities that are not companies to their accounts or consolidated accounts will assist users in making these assessments by requiring the provision on a consistent basis of relevant and reliable information in their financial reports.
- (vii) The Corporations Law does not require undertakings to which prescribed interests relate and which are parent entities to prepare consolidated accounts for either half-years or financial years. Accordingly, Accounting Standard AASB 1024: Consolidated Accounts does not need to be applied by such undertakings. Nevertheless, all undertakings which are parent entities are encouraged to prepare consolidated accounts in accordance with the principles set out in AASB 1024. This will ensure that, consistent with Statement of Accounting Concepts SAC 2, the financial reports of such undertakings provide relevant and reliable financial information about the economic entity comprising an undertaking and its controlled entities.

Application of Materiality

STANDARDS

- 7 **The accounting standards set out in this Standard shall apply to the accounts or consolidated accounts where such application is of material consequence. Information in accounts or consolidated accounts is material if its omission, non-disclosure or misstatement has the potential to adversely affect:**
- (a) **decisions about the allocation of scarce resources made by users of the accounts or consolidated accounts; or**

- (b) **the discharge of accountability by the directors or the members of the governing body of the entity.**

COMMENTARY

- (viii) In deciding whether an item is material, its nature and amount usually need to be evaluated together.
- (ix) In the case of a disclosing entity that is an undertaking to which prescribed interests relate, the governing body of the entity is the trustee or representative in relation to the prescribed interests.

Definitions

STANDARDS

8 In this Standard:

"economic entity" means a group of entities comprising the parent entity and each of its subsidiaries;

"entity" means any legal, administrative, or fiduciary arrangement, organisational structure or other party (including a person) having the capacity to deploy scarce resources in order to achieve objectives;

"financial asset" means an asset that is:

- (a) **cash;**
- (b) **a contractual right to receive cash or another financial asset from another entity;**
- (c) **a contractual right to exchange financial instruments with another entity under conditions that are potentially favourable; or**
- (d) **an equity instrument of another entity;**

"financial report" means accounts or consolidated accounts (or both);

"general purpose financial report" means 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;

"net market value" means, in relation to an asset, the amount which could be expected to be received from the disposal of the asset in an orderly market after deducting costs expected to be incurred in realising the proceeds of such a disposal;

"parent entity" means an entity which controls another entity;

"recognised" means reported on, or incorporated in amounts reported on, the face of the profit and loss account or balance sheet (whether or not further disclosure of the item is made in notes thereto);

"reporting date" means the end of the reporting period to which the general purpose financial report relates; and

"subsidiary" means an entity which is controlled by a parent entity.

COMMENTARY

- (x) Relevant provisions of the Corporations Law include:

Section 286: an expression in a Standard has the same meaning as it has in Parts 1.2 or 3.6 of the Corporations Law except so far as the contrary intention appears.

Section 9: definition of "accounting period", "accounting standard", "accounts", "body", "borrowing corporation", "company", "consolidated accounts", "disclosing entity", "financial year", "prescribed interest", "profit and loss account", "securities exchange", "stock market" and "undertaking".

Disclosing entities

COMMENTARY

- (xi) Part 1.2A of the Corporations Law provides the complete description of disclosing entities. Entities of the following types are normally disclosing entities:

- (a) entities which have securities that are quoted on a stock market of a securities exchange;
- (b) entities which have securities (except debentures) that have been issued pursuant to a prospectus;

- (c) entities which have securities (except debentures) that have been issued as consideration for the acquisition of shares pursuant to a takeover scheme;
- (d) entities which have securities that have been issued pursuant to a Part 5.1 compromise or arrangement; and
- (e) borrowing corporations.

The securities referred to in paragraphs (b), (c) and (d) need to have been held by at least 100 persons at all times since the issue of the securities. The Corporations Law also specifies some exemptions.

Application of Accounting Standards

Financial year accounts or consolidated accounts

STANDARDS

- 9 **Subject to paragraphs 10 and 11, all Accounting Standards shall be applied in preparing and presenting the financial year accounts or consolidated accounts:**
 - (a) as if any reference in those Standards to a company as the entity preparing the accounts or consolidated accounts includes a reference to a disclosing entity which is not a company; and
 - (b) despite the applicability of Standards currently in force, but subject to their operative date.
- 10 **Disclosing entities other than companies and other bodies corporate listed on the Australian Stock Exchange are not required to apply Accounting Standard AASB 1027: Earnings per Share.**
- 11 **In accounting for financial assets, undertakings to which prescribed interests relate are not required to apply the method set out in Accounting Standard AASB 1010: Accounting for the Revaluation of Non-Current Assets for the recognition of revaluation increments and decrements in the profit and loss account or as reserves provided that:**
 - (a) the financial assets are measured at net market value as at the reporting date; and

- (b) **any changes in net market value are recognised as revenues or expenses in the financial year in which the changes occur.**

COMMENTARY

- (xii) Except for Accounting Standard AASB 1029: Half-Year Accounts and Consolidated Accounts, the application clauses or paragraphs of Accounting Standards on issue when this Standard was issued do not refer to all disclosing entities. Accordingly, paragraph 9 of this Standard ensures the application of Accounting Standards (except as set out in paragraphs 10 and 11) to disclosing entities which are not companies, despite the specific wording of those Standards. However, those Standards need not be applied by disclosing entities which are not companies in advance of the operative dates of the Standards.
- (xiii) In some cases the Accounting Standards may not be applicable to particular disclosing entities. For example, Accounting Standard AASB 1009: Accounting for Construction Contracts applies to a contractor for construction contracts and Accounting Standard AASB 1023: Financial Reporting of General Insurance Activities applies only to general insurance activities. AASB 1029 continues to apply only to half-year accounts and consolidated accounts.

Exceptions

COMMENTARY

- (xiv) Exceptions to the required application of the Accounting Standards on issue when this Standard was issued are listed in paragraphs 10 and 11. The exception in relation to Accounting Standard AASB 1027: Earnings per Share acknowledges that the Standard was developed for application by companies and other bodies corporate that are listed on the Australian Stock Exchange. This Standard does not preclude use of the principles set out in AASB 1027 for other entities such as unit trusts in preparing earnings per unit information pursuant to Australian Stock Exchange listing requirements.
- (xv) Paragraph 11 provides a conditional exception for financial assets of undertakings to which prescribed interests relate in relation to the application of Accounting Standard AASB 1010: Accounting for the Revaluation of Non-Current Assets. That exception applies to accounting for the net revaluation increments or decrements arising from revaluation of non-current assets, as set out in paragraphs 15 and 16 of the April 1993 issue of AASB 1010. It allows undertakings to which prescribed interests relate to measure

financial assets at net market value and recognise changes in net market value as revenues or expenses. All the other requirements of AASB 1010, such as the disclosure requirements, apply to financial assets of undertakings to which prescribed interests relate. However, disclosure in an accounting policy note of the fact that the entity adopts market value accounting for financial assets and the basis on which net market value has been determined is likely to satisfy many of the specific disclosure requirements of AASB 1010.

- (xvi) All the requirements of AASB 1010 apply to other non-current assets of undertakings to which prescribed interests relate. In addition, disclosing entities other than undertakings to which prescribed interests relate are subject to the requirements of AASB 1010 without modification.

Comparative Information

STANDARDS

- 12 **The accounts or consolidated accounts shall disclose information for the preceding corresponding financial year which corresponds to the disclosures specified for the current financial year, except in respect of the following:**
- (a) **the accounts or consolidated accounts for the financial year to which this Standard is first applied;**
 - (b) **the first accounts after the incorporation or formation of the entity; and**
 - (c) **the first consolidated accounts after the entity becomes a parent entity.**

COMMENTARY

- (xvii) Paragraph 12 does not require disclosure of comparative information, prepared using the accounting policies required to be applied by this Standard, in the accounts or consolidated accounts for the financial year to which this Standard is first applied. This relief applies to information required, by this Standard, to be disclosed on the face of the profit and loss account or balance sheet or in notes to the accounts. Notwithstanding the relief provided by this Standard, clauses .40 and .41 of Accounting Standard AASB 1001: Accounting Policies - Disclosure are applicable and require disclosure of the nature, reasons and financial effects of changes in accounting policies, including those arising from the initial adoption of an Accounting Standard, which have a material effect on the accounts or consolidated accounts.

Transitional Provisions

STANDARDS

- 13 **Where the accounting policies required by this Standard are not already being applied as at the beginning of the financial year to which this Standard is first applied, they shall be applied as at that date. Where this gives rise to initial adjustments, the net amount of those adjustments, including any adjustments to deferred tax balances, shall, in accordance with Accounting Standard AASB 1018: Profit and Loss Accounts be adjusted against retained profits or accumulated losses as at the beginning of the financial year to which this Standard is first applied.**

COMMENTARY

- (xviii) Paragraph 11 of this Standard allows undertakings to which prescribed interests relate to recognise as revenues or expenses changes in the net market value of financial assets in certain circumstances. Initial adjustments resulting from the adoption of accounting policies allowed by paragraph 11 should be accounted for in accordance with the requirements of paragraph 13.

*COMPATIBILITY WITH
INTERNATIONAL AND NEW ZEALAND ACCOUNTING STANDARDS*

No corresponding accounting standard has been issued by the International Accounting Standards Committee or in New Zealand.

DEVELOPMENT OF THE STANDARD

This section does not form part of the Standard or commentary thereon. It is a summary of the development of the Standard and the Australian Accounting Standards Board's consideration of the key issues dealt with in the Standard.

The Legislative Framework

- 1 The Corporations Law requires disclosing entities to prepare accounts or consolidated accounts twice each year, once in respect of the first six months of a financial year and once in respect of the financial year. Disclosing entities include entities that are listed on a stock market of a securities exchange, entities raising funds pursuant to a prospectus, entities offering their securities as consideration for the acquisition of shares in a target company under a takeover scheme, entities whose securities are issued under a compromise or scheme of arrangement, and borrowing corporations.

The Accounting Framework

- 2 Accounting Standard AASB 1029: Half-Year Accounts and Consolidated Accounts prescribes reporting requirements for half-year accounts and consolidated accounts of all disclosing entities (including those which are companies). Prior to the issue of AASB 1030, Accounting Standards did not apply to the financial year accounts and consolidated accounts of disclosing entities which are not companies and the accounting practices of such entities were diverse. This Standard requires the application of existing Standards, with some exceptions, to financial year accounts and consolidated accounts of such entities. The application of new and revised Accounting Standards to disclosing entities will be specifically addressed in those Standards when issued.
- 3 The Australian Accounting Standards Board (AASB) is of the view that this Standard will improve the quality of financial reporting by disclosing entities other than companies. It will enhance the relevance, reliability, comparability and consistency of the information in their financial year accounts and consolidated accounts.

Due Process

- 4 Proposed AASB Accounting Standard ED 61 "Application of Accounting Standards to Disclosing Entities other than

Companies" was issued in July 1994. Interested parties were invited to make submissions on ED 61 by 30 September 1994. Submissions were subsequently received and considered by the AASB. Based on the submissions and other considerations, this Standard was issued.

- 5 Schedule 5 to the Corporations Regulations is not required to be applied by undertakings to which prescribed interests relate. The AASB has issued an Invitation to Comment, prepared in conjunction with the Commonwealth Attorney-General's Department, proposing that Schedule 5 be amended and replaced by an Accounting Standard. When Schedule 5 is replaced by an Accounting Standard it may become necessary to amend this Standard.
- 6 The Commonwealth Attorney-General has announced the development of new legislation for collective investment schemes. In addition, the Investment Funds Association of Australia has submitted to the AASB a proposed Accounting Standard for collective investment schemes. The AASB intends to review that proposed Standard as a matter of priority. It may also become necessary to amend this Standard when that new legislation is introduced or when an Accounting Standard dealing with collective investment schemes is issued.

Main Features of the Standard

- 7 This Standard requires that most existing Accounting Standards be applied by disclosing entities which are not companies when preparing and presenting financial year accounts and consolidated accounts under the Corporations Law. As disclosing entities are considered to be reporting entities, requiring Accounting Standards to be applied by disclosing entities is consistent with the AASB's adoption of the reporting entity concept in relation to companies. Respondents to ED 61 supported the application of Accounting Standards to disclosing entities other than companies.
- 8 This Standard does not change the applicability of Accounting Standard AASB 1029: Half-Year Accounts and Consolidated Accounts. AASB 1029 will continue to apply only to half-year accounts and consolidated accounts of disclosing entities.
- 9 The Corporations Law does not require undertakings to which prescribed interests relate and which are parent entities to prepare consolidated accounts. This Standard does not include requirements that are contrary to the intention of the Law. Therefore, undertakings to which prescribed interests relate are not required to apply Accounting Standard AASB 1024: Consolidated

Accounts. However, all undertakings which are parent entities are encouraged to prepare consolidated accounts in accordance with the principles set out in AASB 1024. In addition, Miscellaneous Professional Statement APS 1: Conformity with Accounting Standards requires members of The Institute of Chartered Accountants in Australia and the Australian Society of Certified Practising Accountants to take all reasonable steps within their power to ensure that the standards set out in Accounting Standards are consistently applied in the preparation and presentation of general purpose financial reports. Therefore, most undertakings which are parent entities will already be preparing consolidated financial statements in accordance with Australian Accounting Standard AAS 24 "Consolidated Financial Reports" and will continue to do so.

- 10 An exception from the requirement to comply with all Accounting Standards applies to financial assets of undertakings to which prescribed interests relate. That exception applies to the method set out in Accounting Standard AASB 1010: Accounting for the Revaluation of Non-Current Assets for the recognition of revaluation increments or decrements. It only applies when the financial assets of such undertakings are measured at net market value as at the reporting date, with changes in net market value recognised as revenues or expenses in the reporting period in which the changes occur.
- 11 Respondents were generally supportive of this exemption. Some respondents argued that the exemption from AASB 1010 should be extended to the financial assets of all disclosing entities. Other respondents argued that the exemption from AASB 1010 should apply to all assets of undertakings to which prescribed interests relate.
- 12 The AASB concluded that the exemption from certain of the requirements of AASB 1010 should not be extended beyond that proposed in ED 61. Therefore, disclosing entities other than undertakings to which prescribed interests relate continue to be required to apply fully the requirements of AASB 1010. The AASB will review the requirements of AASB 1010 as its projects on performance reporting and measurement of the financial statement elements proceed and as it considers Accounting Standards appropriate for collective investment schemes. However, at the present time the AASB is not in a position to amend generally the method of accounting for revaluations set out in AASB 1010.
- 13 In the public unit trust industry, financial assets are commonly valued at net market value with changes in those values recognised

as revenues or expenses in the financial year in which those changes occur. The exception to AASB 1010 provided in respect of the financial assets of undertakings acknowledges that practice. It also acknowledges that Accounting Standards require general insurers and superannuation plans, which have investment activities similar to those of public unit trusts, to adopt similar practices. The exception has not been allowed for investment properties because a widespread, generally agreed and consistently applied industry practice of net market value accounting has not been adopted by property trusts and similar entities.

- 14 Some respondents argued that the definitions of "assets", "liabilities", "equity", "revenues", "expenses", "contributions by owners", "distributions to owners" and "financial assets" were not integral to ED 61 and should be removed. The AASB is of the view that the definition of financial assets is necessary for the operation of this Standard. However, the AASB agreed with respondents that the other definitions identified above are not necessary for the operation of this Standard. Those definitions have been removed.