



Preliminary Assessment of forthcoming Standards – July 2012 Incorporating Annual Regulatory Plan

This Preliminary Assessment reflects the current thinking of the AASB about the need for RISs in respect of forthcoming Standards. The Preliminary Assessment is updated on a rolling basis, usually three or four times a year. This Preliminary Assessment effectively serves as the AASB's Annual Regulatory Plan for 2012-2013. It includes projects expected to result in Standards in the next year or so and that impact on business – it does not include other projects that:

- (a) are expected to result in Standards further into the future and may impact on business; or
- (b) are only expected to impact on the public sector or the non-commercial activities of not-for-profit entities.

It is generally accepted that there are net benefits to the economy of high-quality financial reporting requirements. Most of the direct costs of new financial reporting requirements are usually borne by preparers of general purpose financial reports and most of the direct benefits are usually received by users of general purpose financial reports.

The AASB's current thinking is based on looking past purely technical issues to likely costs and benefits to preparers, users and others (such as auditors and regulators). Accordingly, although a particular change to financial reporting requirements may be substantive in terms of its underlying changes to technical thinking, the likely changes to preparation costs and financial reporting outcomes may not be substantive.

Main sources of AASB Standards

AASB Standards applicable to commercial activities adopt International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). The benefits of adopting any particular IFRS include the benefits of overall IFRS compliance. Put another way, the costs of not adopting any particular IFRS include the costs of Australia losing the credibility that comes with being an IFRS-compliant jurisdiction. Accordingly, the benefits of remaining IFRS compliant are a pervasive factor in any cost-benefit assessment of new and revised AASB standards as they apply to commercial activities.

Main changes since previous Preliminary Assessment (March 2012)

The topics of: Annual Improvements 2009-2011; Consolidation Transition Guidance; Financial Instruments – Disclosures on Transition to AASB 9; and First-time adoption amendment in respect of Government Loans; have been removed. As agreed with the OBPR, none of these Standards required a RIS.

The topics of: IAS 8 Effective date and transition methods; Post-implementation review of IFRS 8 *Operating Segments*; and Post-implementation review of IFRS 3 *Business Combinations* have been added. Please note these are being conducted as part of the AASB's normal due process, rather than as PIRs the AASB is required to undertake for regulatory purposes.

The expected release dates for: Annual Improvements 2010 – 2012; and Consolidations – investment entities; have been identified. The timetable for: 'General' Hedge Accounting; Materiality – withdrawal; and Superannuation Entities; have been extended.



Topic	Expected	Consultation ¹	Source	RIS	Because
'General' Hedge Accounting	H4 2012	ED 208 Roundtables (Melbourne & Sydney)	IFRS	Yes	The main principle underlying the proposals is that hedge accounting align with an entity's risk management policies, which is less 'mechanical' than the current approach. Hedge accounting would remain voluntary, but may become more widely applied.
Annual Improvements 2010 – 2012	Q1 2013	ED expected Q2 2012	IFRS	No	These involve minor and mechanical changes and clarifications that are processed each year.
Annual Improvements 2011 – 2013	TBD	ED expected Q3 2012	IFRS	No	These involve minor and mechanical changes and clarifications that are processed each year.
Materiality – withdrawal	Q1 2013	ED expected Q3 2012	Domestic	No	AASB 1031 <i>Materiality</i> is seen as being largely redundant in light of the current reporting environment. Its withdrawal is not expected to change practice.
Superannuation Entities	Q1 2013	Consultation Paper on consolidation issues ED 179 Roundtables (Melbourne & Sydney) ED 223 Further Roundtables (Melbourne & Sydney)	Domestic	Yes	Substantive revision to a domestic (non-IFRS) Standard, which is expected to have a considerable impact on most APRA-regulated plans and their users.

¹ All new and revised financial reporting requirements are the subject of thorough consultation, including explicitly seeking input on cost-benefit issues. At a minimum the consultation process involves exposing proposals for public comment and discussion of constituents' comments and the relevant issues by the Board in public meetings. Substantive projects also involve other forms of due process, including a discussion paper phase, discussion roundtables and face-to-face meetings between constituents and AASB staff and Board members.



Topic	Expected	Consultation ¹	Source	RIS	Because
Consolidations – investment entities	Q1 2013	ED 220	IFRS	TBD	The project is a possible ‘carve out’ from consolidation requirements for ‘investment entities’ – the IASB is currently deliberating on constituent comments on its proposals and it is not yet clear how far-reaching the outcomes might be.
Financial Asset Impairment	TBD	ED 189 ED 210 Roundtables (Melbourne & Sydney) Further ED expected in Q4 2012	IFRS	TBD	Likely major technical changes to model, particularly for lenders, such as banks. Based on proposals to date, it may cause lenders to change their information systems and users to re-think their analyses of lenders’ reported information on loan impairments. The cost-benefit outcomes depend on a number of factors, such as: the IASB’s response to feedback, the scope of the changes and whether lenders can combine any information systems changes with those arising from revised prudential requirements.
Revenue Recognition	TBD	ED 198 Workshop (Melbourne) ED 222	IFRS	No	Although there are expected to be major technical changes to the recognition model, particularly for those entities that have long-term sales contracts and bundled sales, it seems unlikely that this will involve much cost to many entities.
Leases	TBD	ED 202 Workshop (Melbourne) Revised ED expected Q2 2012	IFRS	TBD	Fundamental changes to the recognition and measurement model were proposed, however, recent decisions of the IASB may mean that the changes are not significant.
Insurance Contracts	TBD	Discussion Paper ED 201 Roundtables (Auckland, Melbourne & Sydney) Revised ED expected Q3 2012	IFRS	Yes	The outcomes may not fundamentally affect many entities, particularly if a proposed short versus long term distinction lines up with the existing Australian general versus life insurance distinction. However, there are likely to be sufficiently significant changes to the recognition and measurement model to warrant a RIS.



Topic	Expected	Consultation¹	Source	RIS	Because
IAS 8 Effective date and transition methods	TBD	ED expected Q3 2012	IFRS	TBD	The project deals with the manner in which future IFRSs might need to be applied and may provide relief from some of the existing requirements.
Financial Instruments – Limited Improvements	TBD	ED expected H2 2012	IFRS	TBD	This project is at an early stage and it is too soon to know the likely impacts.
Macro Hedge Accounting	TBD	ED expected H2 2012	IFRS	TBD	This project is at an early stage and it is too soon to know the likely impacts.
Post-implementation review of IFRS 8 <i>Operating Segments</i>	TBD	Request for Views	IFRS	TBD	This project is at an early stage and it is too soon to know the likely impacts.
Post-implementation review of IFRS 8 <i>Business Combinations</i>	TBD	Request for Views expected	IFRS	TBD	This project is at an early stage and it is too soon to know the likely impacts.

TBD = to be determined

ED = Exposure Draft

DP = Discussion Paper

IFRS = International Financial Reporting Standard

Q = a quarter of a calendar year

H = half of a calendar year