

AASB Standard

AASB 2011-X
Month 2011

**Amendments to Australian
Accounting Standards
arising from the Trans-
Tasman Convergence
Project**

**[AASB 1, AASB 5, AASB 101,
AASB 107, AASB 108, AASB 121,
AASB 128, AASB 132 & AASB 134
and Interpretations 2, 112 & 113]**



Australian Government

**Australian Accounting
Standards Board**

Amendments to AASB 101

- 1 Paragraphs Aus7.1, Aus15.1-Aus15.4, Aus16.1, Aus50.1 and Aus138.1-Aus138.6 are deleted.
- 2 Paragraph 17 is amended as follows (new text is underlined):
 - 17 In virtually all circumstances, an entity achieves a fair presentation by compliance with Australian Accounting Standards. A fair presentation also requires an entity:
 - (a) to select and apply accounting policies in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. AASB 108 sets out a hierarchy of authoritative guidance that management considers in the absence of an Australian Accounting Standard that specifically applies to an item;
 - (b) to present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
 - (c) to provide additional disclosures when compliance with the specific requirements in Australian Accounting Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.
- 3 Paragraphs 19, Aus19.1, 20, 21 and 22 and a footnote are added as follows:
 - 19 **In the extremely rare circumstances in which management concludes that compliance with a requirement in an Australian Accounting Standard would be so misleading that it would conflict with the objective of financial statements set out in the *Framework*, the entity shall depart from that requirement in the manner set out in paragraph 20 if the relevant regulatory framework requires, or otherwise does not prohibit, such a departure.**

~~Aus19.1 — In relation to paragraph 19, the entity shall not depart from Australian Accounting Standards when Australian Accounting Standards are part of its regulatory framework.~~

This mark-up would be included in the final Amending Standard

This struck out paragraph was considered at the March Board meeting. It would not appear in the final Amending Standard.

Aus19.1 In relation to paragraph 19, the following shall not depart from a requirement in an Australian Accounting Standard:

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(a) entities required to prepare financial reports under Part 2M.3 of the Corporations Act;

(b) private and public sector not-for-profit entities; and

(c) entities applying Australian Accounting Standards – Reduced Disclosure Requirements.

This mark-up is based on the Board's March meeting decisions and would be included in the final Amending Standard

20 When an entity departs from a requirement of an Australian Accounting Standard in accordance with paragraph 19, it shall disclose:

- (a) that management has concluded that the financial statements present fairly the entity's financial position, financial performance and cash flows;**
- (b) that it has complied with Australian Accounting Standards, except that it has departed from a particular requirement to achieve a fair presentation;**
- (c) the title of the Australian Accounting Standard from which the entity has departed, the nature of the departure, including the treatment that the Australian Accounting Standard would require, the reason why that treatment would be so misleading in the circumstances that it would conflict with the objective of financial statements set out in the *Framework*, and the treatment adopted; and**
- (d) for each period presented, the financial effect of the departure on each item in the financial statements that would have been reported in complying with the requirement.**

21 When an entity has departed from a requirement of an Australian Accounting Standard in a prior period, and that departure affects the amounts recognised in the financial statements for the current period, it shall make the disclosures set out in paragraph 20(c) and (d).

22 Paragraph 21 applies, for example, when an entity departed in a prior period from a requirement in an Australian Accounting Standard for the measurement of assets or liabilities and that departure affects the measurement of changes in assets and liabilities recognised in the current period's financial statements.

The following paragraphs are already in AASB 101 and are provided for context. They would not be included in the final Amending Standard.

23 **In the extremely rare circumstances in which management concludes that compliance with a requirement in an Australian Accounting Standard would be so misleading that it would conflict with the objective of financial statements set out in the *Framework*, but the relevant regulatory framework prohibits departure from the requirement, the entity shall, to the maximum extent possible, reduce the perceived misleading aspects of compliance by disclosing:**

- (a) **the title of the Australian Accounting Standard in question, the nature of the requirement, and the reason why management has concluded that complying with that requirement is so misleading in the circumstances that it conflicts with the objective of financial statements set out in the *Framework*; and**
- (b) **for each period presented, the adjustments to each item in the financial statements that management has concluded would be necessary to achieve a fair presentation.**

24 **For the purpose of paragraphs 19-23, an item of information would conflict with the objective of financial statements when it does not represent faithfully the transactions, other events and conditions that it either purports to represent or could reasonably be expected to represent and, consequently, it would be likely to influence economic decisions made by users of financial statements. When assessing whether complying with a specific requirement in an Australian Accounting Standard would be so misleading that it**

would conflict with the objective of financial statements set out in the *Framework*, management considers:

- (a) why the objective of financial statements is not achieved in the particular circumstances; and
- (b) how the entity's circumstances differ from those of other entities that comply with the requirement. If other entities in similar circumstances comply with the requirement, there is a rebuttable presumption that the entity's compliance with the requirement would not be so misleading that it would conflict with the objective of financial statements set out in the *Framework*.

BASIS FOR CONCLUSIONS

This Basis for Conclusions accompanies, but is not part of, AASB 2011-X.

Amendments to AASB 101

The mark ups in this section are changes from the March Board paper and would appear as clean text in the final Amending Standard

Departure from Standards

- BCX1 The AASB's earlier decision to not include [the first sentence of paragraph 17](#) and paragraphs 19-22 of IAS 1 [Presentation of Financial Statements](#) in previous versions of AASB 101 [Presentation of Financial Statements](#) was based on a view that, in the Australian regulatory environment, the departure from Australian Accounting Standards for entities preparing general purpose financial statements is generally [intended to be](#) prohibited and this is explicit for reporting entities established under the *Corporations Act 2001*. Under section 297 of the Corporations Act, in cases where the directors of a company consider that the financial statements and notes prepared in compliance with Australian Accounting Standards would not give a true and fair view, the entity must still comply with Australian Accounting Standards and is required to provide additional information in the notes to the financial statements.
- BCX2 The AASB introduced the requirements relating to departures from Standards contained in paragraphs [17-19, 20, 21](#) and [19-22](#) of IAS 1 to align with IFRSs and to converge with New Zealand Standards. In addition, the AASB introduced paragraph Aus19.1 to prohibit [certain classes of an entities](#) from departing from Australian Accounting Standards [under paragraph 19. Paragraph Aus19.1 has been drafted so as to not prevent a Tier 1 for-profit entity from being IFRS compliant \(in the event the extremely rare circumstances envisaged in paragraph 19 occur\) when Australian Accounting Standards are part of the entity's regulatory framework.](#)
- BCX3 The AASB concluded that the paragraph Aus19.1 prohibition is needed because accounting standards are formulated with the expectation that an entity applying the standards in preparing general purpose financial statements would comply with all the relevant standards that are applicable to the entity. Accordingly, [the AASB they](#) believes [it that the AASB](#) should not be formulating Australian Accounting Standards that contemplate departures from Standards in certain circumstances.

- BCX4 The AASB also concluded that ~~the paragraph Aus19.1 prohibition~~ is appropriate because of the difficulties previously experienced with company reporting from what became known as the ‘true and fair override’ in some versions of corporations legislation that pre-date the Corporations Act. Members were concerned that there may be significant unintended consequences for a wide cross-section of entities if ~~the paragraph Aus19.1 prohibition~~ were not included.
- BCX5 The AASB ~~noted that it~~ believes there is nothing in International Financial Reporting Standards (IFRSs) that precludes the AASB including ~~the paragraph Aus19.1 prohibition~~ and having ~~for-profit~~ entities applying Australian Accounting Standards remain IFRS-compliant. This is on the basis that it is limited to circumstances where Australian Accounting Standards are themselves part of the relevant ‘regulatory framework’ referred to by the IASB in IAS 1 *Presentation of Financial Statements*, whether imposed by law or otherwise applied. ~~The AASB acknowledges that professional judgement may be needed to determine when Australian Accounting Standards are part of the regulatory framework for a particular entity.~~
- BCX6 The AASB appreciated that there is no equivalent to paragraph Aus19.1 in ~~the~~ NZ IAS 1 *Presentation of Financial Statements*. However, the AASB noted that the New Zealand *Financial Reporting Act 1993* ~~is intended to~~ prevents a wide range of entities in the private and public sectors from departing from New Zealand ~~accounting s~~Standards.