

**EXTRACT FROM ED 211**

# **Proposed Amendments to AASB 1049**

Comments to AASB by:

- (a) 6 April 2011 on the proposals relating to the definition of the ABS GFS Manual, relief from adopting the latest version of the ABS GFS Manual, and related disclosures; ...

## **PREFACE**

### **Background**

...

### **Reasons for Issuing this Exposure Draft**

This Exposure Draft arises from the AASB's post-implementation review of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, and has regard to the experiences, at an operational level, of each jurisdiction in applying AASB 1049 to its 2008-09 or earlier financial year. In developing the proposals in this Exposure Draft, the Board noted that the post-implementation review work to date has not identified any major flaws in the Standard. However, the Board identified a number of aspects of AASB 1049 where improvements could be made, including clarification of some of the requirements.

### **Main Features of this Exposure Draft**

#### **Application Date**

It is proposed that this Standard be applicable to annual reporting periods beginning on or after 1 July 2012 with early adoption permitted for annual reporting periods beginning on or after 1 January 2009 but before 1 July 2012.

#### **Main Requirements**

This Exposure Draft proposes to:	ED paragraph reference	ED Basis for Conclusions paragraph reference	AASB 1049 (October 2007, as proposed to be amended by this ED) paragraph reference
...			
(d) provide relief from the current requirement to adopt the latest version of the ABS GFS Manual	10	BC9-BC13	13B
(e) amend the definition of the ABS GFS Manual and require additional disclosures in relation to the version of the Manual	14, 18	BC8	39(a)(ii), 39A, Appendix A
...			

Consistent with AASB 1053, none of the proposed amendments to disclosure requirements have implications for Tier 2 reporting requirements on the basis that whole of governments and GGSs of the Australian Government and state and territory governments are subject to Tier 1 reporting requirements through AASB 1049.

### **Request for Comments**

Comments are invited on any of the proposals in this Exposure Draft. Submissions play an important role in the decisions that the AASB will make in regard to a Standard. The AASB would prefer that respondents express a clear overall opinion on whether the proposals, as a whole, are supported and that this opinion be supplemented by detailed comments, whether supportive or critical on the major issues. The AASB regards supportive and critical comments as essential to a balanced review of the issues and will consider all submissions, whether they address all specific matters, additional issues or only one issue.

This Exposure Draft has two comment periods because of the Board's aim to provide relief as early as possible from the current requirement to adopt the latest version of the ABS GFS Manual, so that it is particularly available for reporting periods ending on 30 June 2011. Accordingly, comments on the proposals related to the definition of the ABS GFS Manual, relief from adoption of the latest version of the Manual, and related disclosures are sought by 6 April 2011. Comments on the other proposals are sought by 6 June 2011.

#### **Specific Matters for Comment by 6 April 2011**

The AASB would particularly value comments on the proposals outlined in paragraphs (d) and (e) of the Main Requirements section of this Preface.

...

**ACCOUNTING STANDARD AASB 10XX**  
**PROPOSED AMENDMENTS TO AASB 1049**

**Objective**

- 1 The objective of this Standard is to amend AASB 1049 *Whole of Government and General Government Sector Financial Reporting* to improve that Standard at an operational level.

**Application**

- 2 This Standard applies to each government's whole of government general purpose financial statements and General Government Sector (GGS) financial statements.
- 3 This Standard applies to annual reporting periods beginning on or after 1 July 2012.
- 4 This Standard may be applied to annual reporting periods beginning on or after 1 January 2009 but before 1 July 2012.
- 5 The requirements specified in this Standard apply to the financial statements where information resulting from their application is material in accordance with AASB 1031 *Materiality*.
- 6 This Standard uses underlining, striking out and other typographical material to identify some of the amendments to AASB 1049, in order to make the amendments more understandable. However, the amendments made by this Standard do not include that underlining, striking out or other typographical material.

**Amendments to AASB 1049**

- ...  
10 Paragraph ... 13B are added:

...  
**13B For the purpose of this Standard, a government shall apply a version of the ABS GFS Manual that was effective on or after the beginning of the previous annual reporting period as the basis for GFS information included in the financial statements under this Standard.**

- ...  
14 Paragraph 39 is amended as follows (new text is underlined and deleted text is struck through) and paragraph 39A is added:

**Notes**

**Summary of Significant Accounting Policies**

- 39 In addition to the disclosures required by other Australian Accounting Standards in the note containing the summary of significant accounting policies, the following disclosures shall be made prominently in that note:

- (a) for the whole of government and the GGS:
- (i) a statement that the financial statements are prepared in accordance with this Standard; ~~and~~
- (ii) a reference to the version of the ABS GFS Manual as being used as the basis for GFS information that is included in the complete set of financial statements; ~~and when an entity has not applied the most recent version of the ABS GFS Manual;~~
- (A) this fact; and
- (B) known or reasonably estimable information relevant to assessing the possible impact that application of the latest version of the ABS GFS Manual will have on the financial statements in the period of initial application; and

...

- 39A In complying with paragraph 39(a)(ii)(A) and (B), an entity considers disclosing:
- (a) the version of the latest ABS GFS Manual;
  - (b) the nature of the impending change or changes in the ABS GFS Manual;
  - (c) the date by which application of the latest version of the ABS GFS Manual is required;
  - (d) the date as at which it plans to apply the latest version of the ABS GFS Manual initially; and
  - (e) either:
    - (i) a discussion of the impact that initial application of the latest version of the ABS GFS Manual is expected to have on the entity's financial statements; or
    - (ii) if that impact is not known or reasonably estimable, a statement to that effect.

...

- 18 The definition of the ABS GFS Manual is amended as follows (new text is underlined and deleted text is struck through):

**Defined Terms**

**ABS GFS Manual** The Australian Bureau of Statistics (ABS) publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2005* (ABS Catalogue No. 5514.0) and associated updates, and guidance notes issued by the ABS, and published on the ABS website ~~as updated from time to time.~~

**EXTRACT FROM ED 211 BASIS FOR CONCLUSIONS**

**BASIS FOR CONCLUSIONS**

*The Basis for Conclusions accompanies, but is not part of, AASB 10XX.*

**Background**

- BC1 This Basis for Conclusions summarises the Australian Accounting Standards Board (AASB) considerations in reaching the conclusions in this [draft] Standard. Individual Board members gave greater weight to some factors than to others.
- BC2 Given the substantial change to financial reporting brought about by AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (October 2007), the Board decided to undertake a post-implementation review of that Standard. The objective was to identify any material issues at an operational level with a view to improving financial reporting. The post-implementation review included consideration of the consistency of application of AASB 1049 across jurisdictions.
- BC3 Various methods were used to identify the AASB 1049 implementation issues that are the subject of this [draft] Standard. These methods included consulting with personnel with AASB 1049 implementation experience from each jurisdiction's Department of Treasury and Finance and Auditor-General's Office.

...

**Definition of the ABS GFS Manual [Appendix A]**

- BC8 The Board decided that the ABS GFS Manual continues to be the appropriate authoritative source for GFS matters that are pertinent to general purpose financial reporting. The Board also decided it should be defined to include updates, and guidance notes associated with the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2005* (ABS Catalogue No. 5514.0), issued by the ABS and published on the ABS website, as this definition would clarify the status of the material. The ABS was consulted on the appropriate wording of the definition.

**Orderly Adoption of Changes to the ABS GFS Manual [paragraphs 13B & 339]**

- BC9 The Board considered how best to draft requirements into AASB 1049 that would help facilitate the orderly adoption of future amendments to the ABS GFS Manual for the purposes of GAAP/GFS harmonised financial reporting. The Board noted that there are potentially two broad aspects to this issue:
- (a) the manner in which a change to the ABS GFS Manual should be initially adopted in the GAAP/GFS harmonised financial statements for the purposes of determining GFS information included in those statements; and
  - (b) the time lag to allow between the change being issued and it becoming mandatory for the GAAP/GFS harmonised financial statements.
- BC10 In relation to the manner in which a change in the ABS GFS Manual should be initially adopted, the Board noted that if AASB 1049 were to override, or even merely clarify, GFS transitional arrangements, it would arguably go beyond the Board's role, and potentially result in the Board interpreting or effectively modifying the ABS GFS Manual. To avoid this, consistent with the approach in AASB 1049, the Board decided that AASB 1049 should adopt the ABS GFS Manual as it is. The Board noted that to do otherwise would create the potential for there to be a permanent difference between the amounts presented as GFS in the financial statements and amounts published by the ABS. However, the Board noted this decision only pertains to GFS information, and therefore GAAP requirements, (including those relating to retrospectivity in AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*) apply, unamended, to the manner in which a change in accounting policy is initially adopted.
- BC11 In relation to time lag, the Board noted that providing relief through a 'time lag' has the potential to give rise to temporary differences between the amounts presented as GFS in the financial statements and amounts published by the ABS. After considering alternative approaches on how to give an effective time lag between the issue of an amendment to the ABS GFS Manual and when it becomes mandatory for GAAP/GFS harmonised financial reporting purposes, the Board decided AASB 1049 should specify that references to the ABS GFS Manual are to any versions of the Manual effective on or after the beginning of the previous annual reporting period. The Board decided to allow jurisdictions to adopt a version of the ABS GFS Manual for AASB 1049 financial reporting purposes, even if that version was

not effective until after the beginning of the reporting period, consistent with the Board's usual policy of allowing early adoption of Australian Accounting Standards.

- BC12 The Board noted that this approach is broadly aligned with the Board's normal approach to specifying transitional requirements for changes to GAAP because it:
- (a) specifies, albeit in an ambulatory two year lagged way, a mandatory operative date for changes to the ABS GFS Manual;
  - (b) provides a reasonable time for entities to implement changes to the ABS GFS Manual that could affect comparative information; and
  - (c) allows, but does not require, entities to adopt changes to the ABS GFS Manual prior to mandatory operative dates.
- BC13 The Board also noted that this approach would warrant an amendment to paragraph 39 of AASB 1049, to help ensure users are informed about the version of the ABS GFS Manual adopted as the basis for GFS information included in financial statements. Also, consistent with paragraph 30 of AASB 108 relating to new but not yet effective Standards, the Board decided that AASB 1049 should require the disclosure of information about the latest version of the ABS GFS Manual that has not yet had an impact on the financial statements.