

**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 134 and  
Interpretations 2, 112 & 113]**



**Australian Government**

**Australian Accounting  
Standards Board**

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Australian Accounting Standard AASB 2011-X *Amendments to Australian Accounting Standards* is set out in paragraphs 1 – 23. All the paragraphs have equal authority.

## **PREFACE**

### **Standards Amended by AASB 2011-X**

This Standard makes amendments to the following Australian Accounting Standards (including Interpretations):

1. AASB 1 *First-time Adoption of Australian Accounting Standards*
2. AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*
3. AASB 101 *Presentation of Financial Statements*
4. AASB 107 *Statement of Cash Flows*
5. AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*
6. AASB 121 *The Effects of Changes in Foreign Exchange Rates*
7. AASB 128 *Investments in Associates*
8. AASB 134 *Interim Financial Reporting*
9. Interpretation 2 *Members' Shares in Co-operative Entities and Similar Instruments*
10. Interpretation 112 *Consolidation – Special Purpose Entities*
11. Interpretation 113 *Jointly Controlled Entities – Non-monetary Contributions by Venturers.*

These amendments result from the proposals that were included in Exposure Draft AASB ED 200A / FRSB ED 121 *Proposals to Harmonise Australian and New Zealand Standards in Relation to Entities Applying IFRSs as Adopted in Australia and New Zealand* published in July 2010.

The AASB and the Financial Reporting Standards Board of the New Zealand Institute of Chartered Accountants (FRSB) jointly issued AASB ED 200A / FRSB ED 121 for the purpose of harmonising Australian Accounting Standards and New Zealand equivalents to IFRSs (NZ IFRSs) with source International Financial Reporting Standards (IFRSs) to eliminate many of the differences between the Standards in each jurisdiction relating to for-profit entities.

## **Main Features of this Standard**

These amendments are a consequence of Phase 1 of the Trans-Tasman Convergence joint project of the AASB and the FRSB.

### **Trans-Tasman Convergence**

At the October 2009 joint meeting, the AASB and the FRSB initiated a project for harmonising differences between the Australian Accounting Standards and NZ IFRSs, which is divided into the following three phases:

- (a) Phase 1 has addressed the harmonisation of financial reporting requirements across the Tasman in relation to for-profit entities that assert compliance with IFRSs. The Boards were keen to first address differences from IFRSs and between Australian and New Zealand standards as they apply to for-profit entities on the basis that such entities are those that are most likely to claim compliance with IFRSs and trade across the Tasman;
- (b) a likely Phase 2 would address the not-for-profit and public sector specific differences; and
- (c) a possible Phase 3 would address differential reporting and qualifying entity differences.

For Phase 1, the Boards utilised the following principles in removing the differences between the Australian and New Zealand standards:

- (a) eliminate differences from IFRS, where possible; and
- (b) in cases where a disclosure requirement additional to IFRS is of such importance that it should be retained, the additional disclosure requirement has been harmonised with the equivalent New Zealand requirement to the extent possible and relocated to a new Standard.

At the conclusion of Phase 1, the AASB issued:

- (a) this Standard, which contains the amendments to Australian Accounting Standards; and
- (b) AASB 10XX to contain the Australian-specific disclosures that are in addition to IFRSs.

## Application Date

This Standard is applicable to annual reporting periods beginning on or after 1 July 2011. Early adoption is permitted for annual reporting periods beginning on or after 1 January 2005 but before 1 July 2011, provided that AASB 10XX is also adopted early for the same period.

Specific amendments may individually be adopted early. When an entity elects to early adopt an amendment in this Standard, it shall also early adopt the relevant disclosure requirements in AASB 10XX *Australian Additional Disclosures*.

## Main Requirements

This Standard makes numerous amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand standards.

For the amendments which paragraphs have been deleted and relocated to AASB 10XX, these are identified in the table below.

The subjects of the amendments to the Standards and Interpretations are set out below:

<b>Australian Accounting Standard or Interpretation</b>	<b>Amendment</b>
AASB 1 <i>First-time Adoption of Australian Accounting Standards</i>	Deletion of the explanatory guidance relating to initial application of the standard
AASB 5 Non-current Assets Held for Sale and Discontinued Operations	Deletion of guidance relating to restatement of comparative information
AASB 101 <i>Presentation of Financial Statements</i>	Deletion of the definitions of 'entity' and 'related practice' and relocation of definitions of 'annual reporting period' and 'special purpose financial statements' to AASB 10XX
	Deletion of additional guidance relating to a true and fair view

<b>Australian Accounting Standard or Interpretation</b>	<b>Amendment</b>
	Relocation of the disclosure requirements to assert whether the accounts have been prepared in accordance with Australian Accounting Standards to AASB 10XX
	Relocation of the disclosure requirements to provide information on the statutory base and other related information to AASB 10XX
	Relocation of the disclosures relating to GPFSs or SPFSs to AASB 10XX
	Deletion of guidance relating to limited explicit unreserved statement of compliance
	Addition of discussion relating to true and fair override
	Deletion of requirement for presentation in English
	Relocation of audit fee disclosures to AASB 10XX
	Relocation of the disclosures relating to imputation credits to AASB 10XX
	Deletion of disclosure requirements relating to capital and expenditure commitments
<i>AASB 107 Statement of Cash Flows</i>	Relocation of the requirement to disclose a reconciliation of cash flows arising from operating activities to profit or loss

<b>Australian Accounting Standard or Interpretation</b>	<b>Amendment</b>
AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	Deletion of guidance relating to restatement of comparative information
AASB 121 <i>The Effects of Changes in Foreign Exchange Rates</i>	Deletion of requirement to present a financial report drawn up in one presentation currency
AASB 128 <i>Investments in Associates</i>	Deletion of guidance relating to restatement of comparative information
AASB 134 <i>Interim Financial Reporting</i>	Amendment to the scope
Interpretation 2 <i>Members' Shares in Co-operative Entities and Similar Instruments</i>	Deletion of guidance relating to cancellation of membership of non-active members
Interpretation 112 <i>Consolidation – Special Purpose Entities</i>	Deletion of guidance relating to prohibition of a company from acquiring shares in itself
Interpretation 113 <i>Jointly Controlled Entities – Non-monetary Contributions by Venturers</i>	Deletion of guidance relating to recognition of an elimination of an unrealised gain or loss

## **ACCOUNTING STANDARD AASB 2011-X**

The Australian Accounting Standards Board makes Accounting Standard AASB 2011-X *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project* under section 334 of the *Corporations Act 2001*.

Dated XX Month 2011

Kevin M. Stevenson  
Chair – AASB

## **ACCOUNTING STANDARD AASB 2011-X AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS**

### **Objective**

- 1 The objective of this Standard is to make amendments to:
  - (a) AASB 1 *First-time Adoption of Australian Accounting Standards*;
  - (b) AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*;
  - (c) AASB 101 *Presentation of Financial Statements*;
  - (d) AASB 107 *Statement of Cash Flows*;
  - (e) AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*;
  - (f) AASB 121 *The Effects of Changes in Foreign Exchange Rates*;
  - (g) AASB 128 *Investments in Associates*;
  - (h) AASB 134 *Interim Financial Reporting*;
  - (i) Interpretation 2 *Members' Shares in Co-operative Entities and Similar Instruments*;
  - (j) Interpretation 112 *Consolidation - Special Purpose Entities*; and

- (k) Interpretation 113 *Jointly Controlled Entities - Non-monetary Contributions by Venturers*;

as a consequence of the Trans-Tasman Convergence Project.

## **Application**

**2 Subject to paragraphs 3-4, this Standard applies to:**

- (a) **each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;**
- (b) **general purpose financial statements of each other reporting entity; and**
- (c) **financial statements that are, or are held out to be, general purpose financial statements.**

**3 In respect of AASB 101, AASB 107 and AASB 108, this Standard applies to:**

- (a) **each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act;**
- (b) **general purpose financial statements of each reporting entity; and**
- (c) **financial statements that are, or are held out to be, general purpose financial statements.**

**4 In respect of AASB 134, this Standard applies to:**

- (a) **each disclosing entity required to prepare half-year financial reports in accordance with Part 2M.3 of the Corporations Act;**
- (b) **interim financial reports that are general purpose financial statements of each other reporting entity; and**
- (c) **interim financial reports that are, or are held out to be, general purpose financial statements.**

**5 This Standard applies to annual reporting periods beginning on or after 1 July 2011.**

- 6 This Standard, or individual amendments, may be applied to annual reporting periods beginning on or after 1 January 2005 but before 1 July 2011, provided that AASB 10XX *Australian Additional Disclosures*, or its related disclosure requirements, is also adopted early for the same period. When an entity applies this Standard, or individual amendments to such an annual reporting period, it shall disclose that fact.
- 7 This Standard uses underlining, striking out and other typographical material to identify some of the amendments to a Standard or an Interpretation, 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.

### **Amendment to AASB 1**

- 8 Paragraph Aus3.1 is deleted.

### **Amendment to AASB 5**

- 9 Paragraph Aus1.8 is deleted.

### **Amendments to AASB 101**

- 10 Paragraphs Aus7.1, Aus15.1, Aus 15.2, Aus15.3, Aus15.4, Aus16.1, Aus 50.1 and Aus138.1, Aus138.2, Aus138.3, Aus138.4, Aus138.5 and Aus138.6 are deleted.

- 11 Paragraph 17 is amended as follows (new text is underlined):

- 17 In virtually all circumstances, an entity achieves a fair presentation by compliance with applicable 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.
- 12 New 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** **Notwithstanding paragraph 19, not-for-profit entities are not permitted to depart from applicable Australian Accounting Standards.**
- 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 applicable full IFRSs as adopted in Australia or the Reduced Disclosure Requirements, 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.

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\* Entities required to prepare financial statements in accordance with a reporting framework that would not permit a true and fair override (for example, the Corporations Act reporting framework) are not permitted to depart from applicable Australian Accounting Standards.

### **Amendments to AASB 107**

13 Paragraph Aus20.1 is deleted.

14 In the Illustrative Examples accompanying AASB 107, the section headed 'Reconciliation of Net Cash provided by Operating Activities to Profit or Loss (Direct Method – see paragraph Aus20.1)' is deleted.

### **Amendment to AASB 108**

15 Paragraph Aus2.8 is deleted.

### **Amendment to AASB 121**

16 Paragraph Aus38.1 is deleted.

### **Amendment to AASB 128**

17 Paragraph Aus1.8 is deleted.

## **Amendment to AASB 134**

18 Paragraph 1 is amended (new text is underlined and deleted text is struck through).

- 1 This Standard does not mandate which entities should be required to publish the preparation or frequency of interim financial reports, how frequently, or how soon after the end of an interim period they should be completed. However, governments, securities regulators, stock exchanges, and ~~other regulators may~~ accountancy bodies often require entities whose debt or equity securities are publicly traded to ~~prepare~~ publish interim financial reports that are general purpose financial statements. This Standard applies if an entity is required or elects to ~~prepare~~ publish an interim financial reports that are general purpose financial statements or are held out to be general purpose financial statements in accordance with Australian Accounting Standards. The International Accounting Standards Committee encourages publicly traded entities to provide interim financial reports that conform to the recognition, measurement, and disclosure principles set out in this Standard. Specifically, publicly traded entities are encouraged:
- (a) to provide interim financial reports at least as of the end of the first half of their financial year; and
  - (b) to make their interim financial reports available not later than 60 days after the end of the interim period.

## **Amendment to Interpretation 2**

19 Paragraphs Aus12.1 and Aus12.2 are deleted.

## **Amendment to Interpretation 112**

20 Paragraph Aus15C.1 is deleted.

## **Amendment to Interpretation 113**

21 Paragraph Aus7.1 is deleted. AASB 108 applies to any change in accounting policy arising from this amendment.

## **BASIS FOR CONCLUSIONS**

*The Basis for Conclusions accompanies, but is not part of, AASB 2011-X Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project.*

### **Background**

BC1 This Basis for Conclusions summarises the Australian Accounting Standards Board considerations in reaching the conclusions in AASB 2011-XX. It focuses on the issues that the Board considers to be of greatest significance. Individual Board members gave greater weight to some factors than to others.

### **Amendments to AASB 101**

#### **‘Entity’ definition**

BC2 The AASB has deleted the definition of ‘entity’ from AASB 101.

BC3 The AASB noted the usefulness of the definition but also expressed concerns that its retention could potentially result in a conflict with the forthcoming joint arrangements standard. Given that the definition remains in SAC 1 *Definition of the Reporting Entity*, the AASB decided to delete the ‘entity’ definition from AASB 101 for conformity of drafting with IFRSs but without any intention to change requirements.

#### **True and fair override**

BC4 The AASB has reinstated the true and fair over-ride contained in paragraphs 19, 20, 21 and 22 of IAS 1 to align with IFRSs.

BC5 The AASB’s earlier decision to delete paragraphs 19-22 of IAS 1 was attributable to the Australian regulatory environment not permitting the true and fair over-ride for entities preparing financial statements under the *Corporations Act 2001*. Under section 297 of the *Corporations Act 2001*, in cases where the financial statements and notes prepared in compliance with the Australian Accounting Standards would not give a true and fair view, the entity must still comply with Australian Accounting Standards but is required to provide additional information in the notes to the financial statements when the directors consider presentation in accordance with accounting standards does not give a true and fair view.

- BC6 The AASB decided to include the IAS 1 references to the true and fair over-ride for the sake of IFRS compliance, in respect of for-profit entities, and to include a footnote to inform entities preparing financial statements in accordance with reporting frameworks which prohibit the true and fair override (for example, the Corporations Act) that they are not permitted to depart from the applicable accounting standards.
- BC7 The AASB noted that the relevant New Zealand legislation that prevents entities from using the override is the Financial Reporting Act 1993, which has much wider application than the Australian Corporations Act. Accordingly, the AASB decided to insert an Aus paragraph to prohibit the override being used by not-for-profit entities.

## **Amendment to Interpretation 113**

### **Application of amendment**

- BC8 Paragraph Aus7.1 has been deleted from Interpretation 113 and was in addition to IFRS (having been carried over from Abstract 36 *Non-monetary Contributions Establishing a Joint Neutral Entity* which is now withdrawn). The AASB noted that the removal of this paragraph may widen the range of accounting policy options available in relation to non-monetary contributions. Accordingly, the AASB concluded that an entity that changes its accounting policy as a result of the removal of paragraph Aus7.1 is making a voluntary change in accounting policy that would need to be accounted for in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.