

AASB Standard

AASB 10XX
Month 2011

Australian Additional Disclosures



Australian Government
Australian Accounting Standards Board

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Australian Accounting Standard AASB 10XX *Australian Additional Disclosures* is set out in paragraphs 1 – 12. All the paragraphs have equal authority. Paragraphs in **bold type** state the main principles. AASB 10XX is to be read in the context of other Australian Accounting Standards, including AASB 1048 *Interpretation of Standards*, which identifies the Australian Accounting Interpretations. In the absence of explicit guidance, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies.

PREFACE

Introduction

The Australian Accounting Standards Board (AASB) makes Australian Accounting Standards, including Interpretations, to be applied by:

- (a) entities required by the *Corporations Act 2001* to prepare financial reports;
- (b) governments in preparing financial statements for the whole of government and the General Government Sector (GGS); and
- (c) entities in the private or public for-profit or not-for-profit sectors that are reporting entities or that prepare general purpose financial statements.

When appropriate, Australian Accounting Standards incorporate International Financial Reporting Standards (IFRSs), including Interpretations, issued by the International Accounting Standards Board (IASB), with the addition of paragraphs on the applicability of each Standard in the Australian environment.

Australian Accounting Standards also include requirements that are specific to Australian entities. These requirements may be located in Australian Accounting Standards that incorporate IFRSs or in other Australian Accounting Standards. In most instances, these requirements are either restricted to the not-for-profit or public sectors or include additional disclosures that address domestic, regulatory or other issues. In developing requirements for public sector entities, the AASB considers the requirements of International Public Sector Accounting Standards (IPSASs), as issued by the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants.

AASB 1053 *Application of Tiers of Australian Accounting Standards* establishes a differential reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:

- (a) Tier 1: Australian Accounting Standards; and
- (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Private sector for-profit entities complying with Tier 1 requirements will simultaneously comply with IFRSs. Many other entities complying with Tier 1 will also simultaneously comply with IFRSs.

Reasons for Issuing this Standard

This Standard sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards. This Standard contains disclosure requirements that are additional to IFRSs.

This Standard results from the proposals that were included in Exposure Draft AASB ED 200B / FRSB ED 122 *Proposed Separate Disclosure Standards* 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 200B / FRSB ED 122 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.

This Standard is 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) AASB 2010-XX to contain the amendments to Australian Accounting Standards; and
- (b) this Standard, which contains to contain the Australian-specific disclosures that are in addition to IFRSs.

Main Requirements

This Standard sets out the following definitions that are used in this Standard:

- (a) annual reporting period; and
- (b) special purpose financial statements.

This Standard requires disclosure of:

- (a) compliance with Australian Accounting Standards;
- (b) the statutory basis;
- (c) financial statements being general purpose or special purpose;
- (d) audit fees;
- (e) imputation credits; and
- (f) reconciliation of net operating cash flows to profit (loss).

Implications for Not-for-Profit and RDR Entities

This Standard applies to for-profit entities and not-for-profit entities. This Standard does not include not-for-profit specific paragraphs.

Amendments to this Standard to introduce reduced disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements for annual reporting periods beginning on or after 1 July 2013 will be included in a subsequent Standard.

COMPARISON WITH IFRSs

AASB 10XX and IAS 1

AASB 10XX *Australian Additional Disclosures* includes disclosure requirements and definitions which are additional to IAS 1 *Presentation of Financial Statements* issued by the International Accounting Standards Board (IASB).

Entities that comply with AASB 10XX will simultaneously be in compliance with IAS 1.

AASB 10XX and IAS 7

AASB 10XX *Australian Additional Disclosures* includes a disclosure requirement which is additional to IAS 7 *Statement of Cash Flows* issued by the IASB.

Entities that comply with AASB 10XX will simultaneously be in compliance with IAS 7.

ACCOUNTING STANDARD AASB 10XX

The Australian Accounting Standards Board makes Accounting Standard AASB 10XX *Australian Additional Disclosures* under section 334 of the *Corporations Act 2001*.

Dated XX Month 2011

Kevin M. Stevenson
Chair – AASB

ACCOUNTING STANDARD AASB 10XX

AUSTRALIAN ADDITIONAL DISCLOSURES

Objective

- 1 The objective of this Standard is to set out the Australian-specific disclosures that have been added to Australian Accounting Standards which are in addition to IFRSs.

Application

Aus1.1 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 other reporting entity; and
- (c) financial statements that are, or are held out to be, general purpose financial statements.

Aus1.2 This Standard applies to annual reporting periods beginning on or after 1 July 2011.

Aus1.3 This Standard, or individual disclosure requirements, may be applied to annual reporting periods beginning on or after 1 January 2005 but before 1 July 2011, provided that *AASB 2011-X Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project*, or its related amendments, is also adopted early for the same period. When an entity applies this Standard, or

individual disclosure requirements to such an annual reporting period, it shall disclose that fact.

- Aus1.4 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.**

Definitions

- 2 The following terms are used in this Standard with the meanings specified:

Annual reporting period means the financial year or similar period to which annual financial statements relate.

Special purpose financial statements are financial statements other than general purpose financial statements.

Compliance with Australian Accounting Standards

- 3 An entity whose financial statements comply with Australian Accounting Standards shall make an explicit and unreserved statement of such compliance in the notes. An entity shall not describe financial statements as complying with Australian Accounting Standards unless they comply with all the requirements of Australian Accounting Standards.

Statutory Basis

- 4 An entity shall disclose in the notes:
- (a) the statutory base or other reporting framework, if any, under which the financial statements are prepared;
 - (b) whether, for the purposes of preparing the financial statements, it is a for-profit or not-for-profit entity; and
 - (c) a statement whether the financial statements have been prepared in accordance with Australian Accounting Standards.

General Purpose or Special Purpose Financial Statements

- 5 An entity shall disclose in the notes that the financial statements are general purpose financial statements, or if applicable, *special purpose financial statements*.

Audit Fees

- 6 An entity shall disclose fees to auditors (each auditor if more than one) separately for:
- (a) the audit or review of the financial statements;
 - (b) all other services performed by the auditor during the reporting period; and
 - (c) all other services performed by a network firm during the reporting period
- 7 For each of 6(b) and (c) above, an entity shall describe the nature of other services.

Imputation Credits

- 8 The term 'imputation credits' is used in paragraphs 9 and 11 to also mean 'franking credits'. The disclosures required by paragraphs 9 and 11 shall be made separately in respect of any New Zealand imputation credits and any Australian imputation credits.
- 9 An entity shall disclose the amount of imputation credits available for use in subsequent reporting periods.
- 10 For the purposes of determining the amount required to be disclosed in accordance with paragraph 9, entities may have:
- (a) imputation credits that will arise from the payment of the amount of the provision for income tax;
 - (b) imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
 - (c) imputation credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

- 11 Where there are different classes of investors with different entitlements to imputation credits, disclosures shall be made about the nature of those entitlements for each class where this is relevant to an understanding of them.

Reconciliation of Net Operating Cash Flow with Profit (Loss)

- 12 When an entity uses the direct method, the financial statements shall provide a reconciliation of the profit (loss) with the net cash flow from operating activities.

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's and the Financial Reporting Standards Board of the New Zealand Institute of Chartered Accountant's (FRSB) considerations in reaching the conclusions in AASB 10XX. It also provides a context of the Boards' decisions about harmonising the disclosure requirements. It focuses on the issues that the Boards consider to be of greatest significance. Individual Board members gave greater weight to some factors than to others.

Definitions

BC2 The definition of 'annual reporting period' has been retained on the basis that it is used in application paragraphs of AASB Standards, consistent with terminology in the Australian *Corporations Act 2001*.

BC3 The definition of 'special purpose financial statements' has been retained on the basis that it is used in a disclosure requirement (presently paragraph Aus15.4 of AASB 101) related to the AASB's differential reporting framework.

Audit Fees

BC4 The AASB and the FRSB have relocated and amended the audit fee disclosure requirements contained in AASB 101 and NZ IAS 1 *Presentation of Financial Statements* to their respective separate disclosure standards and harmonised the disclosure requirements across both jurisdictions.

BC5 The AASB and FRSB consider that the disclosure of audit fees is a matter of accountability and, given that the accountability environment is similar in both jurisdictions, they should have the same audit fee disclosure requirements. The Boards also took the opportunity to simplify the disclosure requirements on the basis that, in recent times both preparers and users have indicated that disclosures in financial statements have become overly complex.

BC6 The AASB and FRSB noted the notion of 'related practice' in audit fee disclosures in AASB 101 and decided to incorporate a similar notion that is common to both jurisdictions in the harmonised

disclosures. Accordingly, the Boards decided to include the notion of 'network firm' from APES 110 *Code of Ethics for Professional Accountants* issued by APESB (February 2008) and *Code of Ethics: Independence in Assurance Engagements* issued by NZICA (September 2008).

- BC7 The AASB and FRSB received comments from constituents that the composition of the audit fee disclosures proposed for consolidated financial statements is unclear. The AASB and FRSB consider that there is no need to provide further clarification in their standards because the relevant principle is that disclosures are made in the context of the scope of the entity reporting. Accordingly, in the case of a group, disclosures made in accordance with paragraph 6 would include fees paid by the parent and its subsidiaries.

Imputations Credits

- BC8 The AASB and FRSB have relocated the imputation credit disclosure requirements contained in AASB 101 *Presentation of Financial Statements* and NZ IAS 12 *Income Taxes* to their respective separate disclosure standards and to harmonise the disclosure requirements across both jurisdictions.
- BC9 The AASB and FRSB noted that Australia and New Zealand are among a limited number of jurisdictions that have an imputation tax regime and acknowledge the decision usefulness of information about imputation credits to users of financial information. Accordingly, the AASB and FRSB decided that these additional disclosure requirements should be retained.
- BC10 Given that both jurisdictions have additional disclosure requirements about imputation credits, and that the imputation regimes in each jurisdiction are highly similar, the Boards have harmonised the wording across both jurisdictions. The Boards also took the opportunity to simplify the disclosure requirements on the basis that, in recent times both preparers and users have indicated that disclosures in financial statements have become overly complex.

Reconciliation of Net Operating Cash Flow with Profit (Loss)

- BC11 The AASB and FRSB have relocated the profit (loss) reconciliation to net operating cash flow disclosure requirement contained in AASB 107 *Statement of Cash Flows* and NZ IAS 7 *Statement of Cash Flows* to their respective separate disclosure standards and to harmonise the disclosure requirements across both jurisdictions.

- BC12 The AASB and FRSB note that the IASB has indicated that it will propose requiring a reconciliation in the Financial Statement Presentation project, based on strong support from respondents to the 2008 IASB-FASB Discussion Paper *Preliminary Views on Financial Statement Presentation*.
- BC13 The Boards decided to retain a requirement for a reconciliation on the basis of support from users of financial statements and in view of the IASB's forthcoming work on Financial Statement Presentation.