

CONSEQUENTIAL AMENDMENTS TO DOMESTIC STANDARDS ARISING FROM RECENT AMENDMENTS TO IAS 1

Action

- (a) Reconsider whether amendments need to be made to AASB 3 *Business Combinations* as a consequence of the amendments to IAS 1, specifically in light of the differences between the pre-ballot draft and final Standard.
- (b) Consider the results of the staff review of all other 'Aus' paragraphs and domestic Standards to determine whether other consequential amendments are required for consistency with the amendments to IAS 1.

Reconsideration of consequential amendments to AASB 3

At the June 2011 AASB meeting the Board decided the following:

... in relation to restructures of local governments, it would be appropriate to make an editorial amendment to paragraph Aus63.1 (but not amend paragraph Aus63.7) of AASB 3 *Business Combinations* – to make it clear that any gain or loss recognised in accordance with that paragraph should be recognised in profit or loss...

This decision was based on a staff review of the consequential amendments to other IFRSs in the pre-ballot draft of *Amendments to IAS 1*, in particular in the context of paragraph BC20B.

Paragraph BC20B of the pre-ballot draft stated:

The Board reviewed the terminology in other IFRSs and decided not to replace the title 'statement of comprehensive income' with 'statement of profit or loss and other comprehensive income'. The Board did this because the title is not mandatory and it could see little benefit in changing references from a valid title.

However, in the final Standard issued by the IASB in June 2011 (subsequent to the June AASB meeting), paragraph BC20B states:

Several other IFRSs refer to the 'statement of comprehensive income'. The Board considered whether it should change all such references to 'statement of profit or loss and other comprehensive income'. The Board noted that the terminology used in IAS 1 is not mandatory and that 'statement of comprehensive income' is one of the examples used in the standard. The Board decided that there was little benefit in replacing the title 'statement of comprehensive income' in other IFRSs or 'income statement' with the 'statement of profit or loss'. **However, the Board did change the terminology when an IFRS made reference to the two-statement option.** [emphasis added]

On reflection, staff misunderstood the nature of the consequential changes the IASB decided to make, in part because of how staff interpreted paragraph BC20B in the pre-ballot draft. Staff are of the view that the additional wording added to paragraph BC20B in the final

Standard makes it clear that the only circumstances in which the IASB changed the terminology in an IFRS as a result of the amendments to IAS 1 was when an IFRS made reference to the two-statement option. It is apparent that the amendments made by the IASB were not intended to otherwise clarify where in the statement of comprehensive income gains or losses should be recognised.

Consistent with the Board’s transaction neutral approach to incorporating IFRSs into Australian Accounting Standards, staff do not think AASB 3 paragraph Aus63.1 should be amended by virtue of the amendments to IAS 1.

Question to the Board: Do you agree with the staff recommendation?

Results of staff review of all other ‘Aus’ paragraphs and domestic Standards

At the June 2011 AASB meeting the Board directed staff to undertake a detailed review of all other ‘Aus’ paragraphs and domestic Standards to determine whether other consequential amendments would be required for consistency with the imminent amendments to IAS 1.

Staff have now completed this review. As a result of this review staff believe that it would only be necessary to make consequential amendments to AASB 1039 *Concise Financial Reports*. Specifically, staff suggest making the following amendments:

- 18 A concise financial report shall include the following financial statements:
 - (a) a statement of profit or loss and other comprehensive income for the annual reporting period;
 - (b) ...
- 19 In accordance with paragraph ~~84~~ 10A of AASB 101 *Presentation of Financial Statements*, ~~issued in September 2007~~, an entity may present all items of income and expense recognised in a period in a single statement of profit or loss and other comprehensive income or present the profit or loss section in a separate statement of profit or loss, ~~as two statements: a statement displaying components of profit or loss (separate income statement) and a second statement beginning with profit or loss and displaying components of other comprehensive income (statement of comprehensive income).~~
...
- 27 In most situations, the content of the discussion and analysis would cover at least the following areas:
 - (a) in relation to the statement of profit or loss and other comprehensive income
...

Question to the Board: Do you agree with the staff recommendation?