

# **Reducing the Burden of Financial Reporting Requirements: A Proposed Reduced Disclosure Regime for Non-publicly Accountable Private Sector Entities**

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**Prepared jointly by the Australian Accounting Standards Board (AASB),  
Financial Reporting Council (FRC) and the Commonwealth Treasury**

## **Introduction**

This paper sets out a proposal to substantially reduce the burden of financial reporting disclosure requirements for certain reporting entities in the private sector; that is, of those entities that do not meet the definition of a publicly accountable entity under International Financial Reporting Standards. Publicly accountable entities are those that meet either of the following conditions:

- (a) have their debt or equity instruments traded in a public market or who are in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or
- (b) hold assets in a fiduciary capacity for a broad group of outsiders as one of their primary businesses (e.g., banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks).<sup>1</sup>

The proposal in this paper is intended to be a pragmatic response to the problems facing non-publicly accountable private sector entities and is not held out as the complete answer to concerns about the efficiency and the effectiveness of the Australian differential reporting framework. The AASB will continue its deliberations on a revised differential reporting regime with a view to further improvements, in particular in the public sector. The AASB is of the view that the reforms proposed in this paper should not be delayed while consideration of other possible areas of reform continues.

Moreover, important reforms are also currently being considered to reduce the complexity of International Financial Reporting Standards (full IFRSs) in the area of financial instruments which would help reduce complexities in that area when adopted in Australia. It is expected

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<sup>1</sup> Derived from the IASB's IFRS for SMEs.

that the IASB will also move beyond financial instruments in its efforts to simplify requirements and Australia wishes to encourage those efforts.

This paper canvasses various alternative models for reducing disclosure requirements but concludes that the most promising model to reduce the disclosures of non-publicly accountable entities in the private sector is to adopt an approach that draws on the disclosures set out in the IASB's IFRS for SMEs, adjusted only where necessary for recognition and measurement differences between full IFRSs and the IFRS for SMEs.

There is no current intention to move away from the existing level playing field for all Australian reporting entities in terms of recognition and measurement. Unlike pure full IFRSs, full IFRSs as adopted in Australia apply to all reporting entities and not just to for-profit entities. Altering recognition and measurement requirements on a discriminatory basis, possibly within and between sectors, would be problematic in Australia and certainly would require more consideration if it were ever to be proposed.

### **Purpose of this paper**

This paper is intended to propose for comment a reduced disclosure regime that involves full IFRS recognition and measurement requirements to deal with the disclosure burden of non-publicly accountable private sector entities.

This paper is part of joint efforts by relevant regulators to reform the existing Australian differential reporting framework which is likely to involve a number of phases. Another consultation, being undertaken by the Treasury, in respect of entities regulated under the *Corporations Act 2001*, deals with exemptions for parent entity financial statements, quantitatively based exemptions for companies limited by guarantee and changes to the requirement to pay dividends out of profits.

### **Structure of this paper**

This paper consists of two sections. Section A contains background material on the current differential reporting framework. Section B sets out the main tenets of the proposals for a reduced disclosure regime applicable to non-publicly accountable private sector entities and recommends an approach to creating such a regime considered as the most appropriate on pragmatic grounds. Appendices 1 to 6 include additional information on some of the issues discussed in the paper.

## Section A: Background

### 1. Differential reporting

- 1.1 It is common around the world for jurisdictions to have a framework that determines which entities prepare financial statements and the requirements those entities must apply. Often, entities are subclassified and different reporting requirements apply to each class. These are referred to as ‘differential reporting frameworks’, in that not all entities have to prepare the same financial reports.
- 1.2 Many regulators are presently involved in Australia’s differential reporting framework, including the AASB, the Australian Securities and Investments Commission (ASIC), and the Treasuries at the Commonwealth level and in each State and Territory.
- 1.3 Under the existing Australian framework some entities are required to prepare financial statements in accordance with the accounting standards (such as publicly listed entities), others are required to apply only some of those standards (such as associations in some states), and some are exempted from preparing financial statements at all (such as small proprietary companies).
- 1.4 The AASB’s accounting standards are generally promulgated to apply to the reporting of transactions and other events irrespective of the nature of economic activity of the entity and the sector in which it carries out those activities.

### 2 General purpose financial statements

- 2.1 Under the existing differential reporting framework, general purpose financial statements (GPFs) are prepared using all applicable accounting standards. GPFs are: financial statements intended to meet the needs of users who are not in a position to require an entity to prepare reports tailored to their particular information needs.<sup>2</sup>
- If an entity does not apply accounting standards in preparing its financial statements or applies only some of the applicable accounting standards, the resulting financial statements are ‘special purpose financial statements’ (SPFS).
- 2.2 The AASB’s accounting standards have incorporated the concept of ‘reporting entity’ since the early 1990s<sup>3</sup>. A reporting entity is:

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<sup>2</sup> AASB 101 *Presentation of Financial Statements*

an entity in respect of which it is reasonable to expect the existence of users who rely on the entity's general purpose financial statements for information that will be useful to them for making and evaluating decisions about the allocation of resources. A reporting entity can be a single entity or a group comprising a parent and all of its subsidiaries.<sup>4</sup>

- 2.3 Reporting entities are required by the accounting standards to prepare GPFs. A number of accounting standards specifically also apply to non-reporting entities.<sup>5</sup>

### **3 International Financial Reporting Standards (IFRSs)**

- 3.1 Full IFRSs were adopted in Australia in 2005 for all entities preparing GPFs. AASB accounting standards currently comprise full IFRSs, plus some additional standards that deal with particular aspects of reporting by not-for-profit entities and additional standards on selected areas, such as insurance contracts.<sup>6</sup>

- 3.2 In July 2009, the IASB published the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs). The IFRS for SMEs apply to entities that:

- (a) do not have public accountability; and
- (b) publish general purpose financial statements for external users.

- 3.3 The IFRS for SMEs defines the 'public accountability' as follows:

An entity has public accountability if:

- (a) its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or
- (b) it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. This is typically the case for banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks.<sup>7</sup>

- 3.4 Entities with public accountability must apply 'full IFRSs' to their GPFs to claim compliance with IFRSs, while entities that do not have public accountability can apply the IFRS for SMEs to their GPFs and claim compliance with the IFRS for SMEs. That is, within the IASB's reporting framework, there are two forms of GPFs.

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3 Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity*

4 AASB 101

5 AASB 101, AASB 107 *Cash Flow Statements*, and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* apply to each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act regardless of whether the entity is a reporting entity

6 AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*

7 IFRS for SMEs

#### **4 Concerns about the existing Australian framework**

- 4.1 There is clearly a need for more than one tier of financial reporting. That need has generally been satisfied in Australia by entities either applying all of the standards and preparing GPFs or applying only those standards that the entity judges to be suitable and preparing SPFs. For example, wholly-owned subsidiaries of listed entities that prepare financial statements and lodge them with the ASIC often apply the recognition and measurement requirements of all the standards, but few of the disclosure requirements. They see that as suiting their needs because their results need to be consolidated into the group, which applies full IFRSs, while many of the disclosures are prepared only at the group level.
- 4.2 A commonly voiced concern is that the existing framework does not allow entities that have limited external users a set of requirements that are less burdensome than full IFRSs, but would nevertheless lead to GPFs.
- 4.3 Another related concern raised is that entities are asserted to be ‘abusing’ the reporting entity concept by claiming to be non-reporting entities and preparing SPFs when they should be classified as reporting entities. An impetus for this is the desire to avoid the cost and exposure that would come from applying full IFRSs.
- 4.4 A further related concern is that many of the regulators requiring the preparation and lodgement of financial statements may not have given sufficient consideration to the nature of the information they require and the needs of any external users of that information. That is, there may be entities that are required to prepare financial statements in accordance with accounting standards for which there are few if any users, or potential users, or for which there are particular users whose needs are not being met because the relevant entities are preparing SPFs that are inadequate. A cause for this is a lack of appreciation of the concept of reporting entity.
- 4.5 The introduction of a reduced disclosure regime for the preparation of GPFs that is less burdensome than full IFRSs proposed in this paper and improvements in the reporting entity concept would alleviate some of these concerns.
- 4.6 In May 2007, in response to the above concerns, the AASB released Invitation to Comment 12 *Request for Comment on a Proposed Revised Differential Reporting Regime for Australia and IASB Exposure Draft of A Proposed IFRS for Small and Medium-sized Entities*. The AASB began redeliberating the ITC 12 proposals in late

2007 in the light of feedback received from constituents through comment letters and via Roundtable discussions. Appendix 1 summarises the ITC 12 proposals and AASB's tentative decisions to date.

- 4.7 Some other jurisdictions are also currently considering their differential reporting frameworks, including Canada, New Zealand, the United Kingdom and the United States. Some have been prompted to do so by the recent development by the IASB of the IFRS for SMEs. Appendix 4 summarises current differential reporting deliberations in some other jurisdictions.

## **5. Adoption of the IFRS for SMEs in Australia**

- 5.1 The IFRS for SMEs apply to non-publicly accountable entities that prepare GPFSSs. The IFRS for SMEs simplifies some full IFRS recognition and measurement accounting policy options by mandating a particular option or introducing simpler options. That means some of full IFRS recognition and measurement accounting policy options are not available to SMEs and there are some that differ from comparable full IFRS recognition and measurement requirements. Appendix 2 contains a high level comparison of the IFRS for SMEs and full IFRSs.
- 5.2 There are concerns about adopting the IFRS for SMEs in Australia for the following reasons:
- (a) some of the policy options that have been removed would be the favoured accounting policies for many entities;
  - (b) it would deprive the entity from applying improvements and simplifications as they become available at the full IFRS level because the IASB has stated that it will only update the IFRS for SMEs once there have been two years of broad adoption and, thereafter, every three years;
  - (c) simplifications in some accounting policy options would force subsidiaries to adjust accounting policies for consolidation with parents that apply full IFRSs;
  - (d) possible benefits that might result from comparability with overseas entities applying the IFRS for SMEs would depend on how widely adopted it becomes, which is unknown at this stage;
  - (e) there would be a loss of comparability across all types of entities' GPFSSs, within Australia;

- (f) there are likely to be few if any benefits in applying the IFRS for SMEs from comparability with overseas entities, because entities seeking to access international capital markets would generally apply full IFRSs;
- (g) having different streams of recognition and measurement requirements involves different streams of knowledge, such that education and training at the tertiary level and within the accounting profession would become more costly;
- (h) there would be start up costs because entities preparing GPFs have already made the effort to apply full IFRSs;
- (i) adoption of the IFRS for SMEs may be seen as a retrograde step in a country that has already adopted full IFRS recognition and measurement accounting policy options; and
- (j) in the event that an entity moves to, or from, full IFRS, there are costs involved in migrating from one tier of reporting to another.

5.3 The need for the IFRS for SMEs in Australia may be confined to entities that have a foreign parent that wants its domestic subsidiaries to apply the IFRS for SMEs. There are a number of options for making the IFRS for SMEs available to this limited set of entities, including through an ASIC class order.

5.4 The changes to recognition and measurement requirements under the IFRS for SMEs would not be attractive to entities that express concern about the disclosure burden rather than the complexity of recognition and measurement accounting policy options under full IFRSs. Arguably, there is no particular advantage for these entities to apply the simplified or modified recognition and measurement requirements in the IFRS for SMEs since they already have implemented full IFRS recognition and measurement requirements. The proposal in this paper that the reduced disclosure regime should retain full IFRS recognition and measurement requirements would help ensure a level playing field in terms of recognition and measurement in Australian financial reporting whilst providing significant relief on disclosure.

## **Section B: The Proposed Reduced Disclosure Regime**

### **6. The nature of the reduced disclosure regime**

6.1 The reduced disclosure regime is proposed in response to constituents' concerns about disclosure burden of non-publicly accountable private sector entities. This regime is a

second tier set of reporting requirements that retains the full IFRS recognition and measurement requirements whilst significantly reduces disclosures corresponding to those requirements. Entities complying with the reduce disclosure regime will have also complied with the disclosure provisions of the IFRS for SMEs where the recognition and measurement requirements in that standard align with full IFRSs. There will be limited disclosures beyond those required in the IFRS for SMEs that stem from recognition and measurement accounting policy options that have been omitted from the IFRS for SMEs or have been simplified.

- 6.2 The proposed reduced disclosure regime applies to financial statements that are intended to meet the information needs of a wide range of users in making resource allocation decisions. These users are not able to access such information in other ways. The IFRS for SMEs notes that the application of its disclosure requirements is presumed to result in financial statements that achieve a fair presentation of the financial position, financial performance and cash flows by non-publicly accountable for-profit entities and that the disclosure requirements in the IFRS for SMEs should be regarded as the minimum requirements. Moreover, fair presentation may require additional disclosures by the entity<sup>8</sup>. Requiring disclosures less than the minimum required by the IFRS for SMEs runs the risk of not satisfying the objective of financial reports which is “to provide information about the financial position, financial performance and cash flows of an entity that is useful to a wide range of users in making economic decisions”<sup>9</sup>. Accordingly the reduction in the extent of disclosures under the reduced disclosure regime cannot go below a level that undermines the general purpose nature of the entity’s financial statements.
- 6.3 Appendices 5 and 6 provide an indication of the extent and nature of disclosures under the reduced disclosure regime in relation to selected topics.

## **7. Determining the disclosures**

- 7.1 The reduced disclosure regime is driven by full IFRSs since a principal tenet of this regime is retaining all the recognition and measurement requirements in full IFRSs. Accordingly, the natural starting point for creating this regime is full IFRSs. However, determining disclosures that satisfy the objective of financial reporting necessitates the

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<sup>8</sup> The IFRS for SMEs Disclosure Checklist, paragraph D5.

<sup>9</sup> AASB *Framework for the Preparation and Presentation of Financial Statements*, paragraph 12.

selection of an appropriate approach and identification of principles guiding that approach.

- 7.2 A number of approaches may be envisaged to determining disclosures under the reduced disclosure regime. Appendix 3 discusses these approaches and their points of strength and weakness. From amongst possible approaches, this paper proposes an approach that:
- (a) draws on the disclosures in the IFRS for SMEs in relation to accounting policy options that align with full IFRSs; and
  - (b) applies principles used by the IFRS for SMEs in determining disclosures relating to full IFRS accounting policy recognition and measurement options that have not been included in the IFRS for SMEs or have been included in a modified form.
- 7.3 The IASB used full IFRS disclosures as a starting point and applied a number of guiding principles to arrive at disclosures under the IFRS for SMEs. Two main principles, that may equally be used in determining disclosures under the reduced disclosure regime, are user needs and cost benefit considerations.
- 7.4 In relation to user needs, the IFRS for SMEs notes that users of the financial statements of entities that do not have public accountability are particularly interested in information about:
- (i) short-term cash flows and about obligations, commitments or contingencies, whether or not recognised as liabilities;
  - (ii) liquidity and solvency;
  - (iii) measurement uncertainties;
  - (iv) the entity's accounting policy choices;
  - (v) disaggregations of amounts presented in the financial statements; and
  - (vi) transactions and other events and conditions encountered by such entities.
- 7.5 In addition to user needs and cost benefit considerations, another principle that may be helpful in reducing disclosures under the reduced disclosure regime is 'the availability of information at a higher level'. This principle is based on the rationale that disclosure of information by an entity in a group is not needed if such information is disclosed at a

higher consolidated level. This principle is already used by AASB 127 *Consolidated and Separate Financial Statements*. AASB 127 exempts a parent from preparing consolidated financial statements if certain conditions are met. These conditions effectively exempt a non-publicly accountable for-profit entity from preparing consolidated financial statements if it is a wholly-owned subsidiary (or a partially-owned subsidiary with owners consenting to the exemption) and another entity higher in the group prepares consolidated financial statements.

### ***Advantages of the proposed approach***

7.6 The approach proposed in paragraph 7.2 to determine disclosures under the reduced disclosure regime is the most appropriate in the circumstances for the following reasons:

- (a) it satisfies the principal premise of the reduced disclosure regime, that is, the inclusion of full IFRS recognition and measurement requirements;
- (b) it uses the same principles applied by the IASB in developing the IFRS for SMEs, that is, user needs and cost benefit considerations. This allows it:
  - (i) to identify disclosures required by the IFRS for SMEs in relation to recognition and measurement accounting policy options that align with full IFRSs as the benchmark; and
  - (ii) to determine minimum disclosures in relation to full IFRS recognition and measurement accounting policy options which do not have IFRS for SMEs equivalents due to removal or simplification of the option, using similar principles; and
- (c) it draws on the principle used in AASB 127, that is, relying on information available at a higher level in the group to reduce disclosures by entities at a lower level.

## **8 Impact on entities of proposed reduced disclosure regime**

8.1 The proposed reduced disclosure regime would reduce the burden on some preparers of financial statements and increase the burden on others. This latter group include those entities that currently prepare SPFSs, such as large proprietary companies that identify themselves as non-reporting entities. The extent to which the burden is increased for these entities depends on the extent of their current application of accounting standards

in their SPFSs. The extent of the impact would also be potentially mitigated by removing the need for some separate entity reporting obligations.

- 8.2 The other side to this issue is the impact on users. Those entities that might move from full IFRSs to the regime with reduced disclosures would have less information available to them. However, the reason this paper is keen to ensure that it benchmarks to disclosure principles such as those used by the IASB in determining disclosures under the IFRS for SMEs is to help ensure that users of these GPFs are not disenfranchised. Users of the financial statements of entities that move from SPFSs to a regime involving full IFRSs recognition and measurement requirements with reduced disclosures would generally have more information available to them.

**Questions for constituents:**

- 1. Do you agree with introducing a second tier of GPFs requirements for non-publicly accountable private sector entities that involves reduced disclosure requirements whilst still retaining existing full IFRS recognition and measurement requirements?**
- 2. Do you agree that the proposed reduced disclosures should be determined using the approach identified in paragraphs 7.2?**

## Appendix 1:

### **AASB Proposals for a Revised Differential Reporting Regime and its Tentative Decisions to Date on Redeliberating those Proposals**

#### **ITC 12**

A.1.1 In May 2007, the AASB released Invitation to Comment 12 *Request for Comment on a Proposed Revised Differential Reporting Regime for Australia and IASB Exposure Draft of A Proposed IFRS for Small and Medium-sized Entities*. ITC 12 proposed that:

- (a) the application of accounting standards would no longer depend on whether entities are reporting entities, rather the focus would be GPFSS;
- (b) all entities that prepare GPFSSs would apply either the full IFRSs or an the IFRS for SMEs (suitably modified in the case of not-for-profit entities);
- (c) full IFRSs would apply to:
  - (i) for-profit entities that meet the IASB's definition of public accountability;
  - (ii) for-profit entities that do not have public accountability, but are important from a public interest perspective based on nominated size thresholds;
  - (iii) not-for-profit entities that exceed nominated size thresholds; and
  - (iv) public sector entities that exceed nominated size thresholds;
- (d) the IFRS for SMEs would apply to:
  - (i) for-profit entities that do not have public accountability, or do not fall under (c)(ii) above;
  - (ii) not-for-profit entities that fall below nominated size thresholds; and
  - (iii) public sector entities that fall below nominated size thresholds; and
- (e) entities required to apply the IFRS for SMEs could choose to apply full IFRSs.

A.1.2 ITC 12 also proposed that financial reports on a public register or otherwise made available to the public at large would be regarded as GPFSSs. The AASB confirmed its view that it should be focused only on GPFSSs and not promulgate accounting standards for SPFSs.

A.1.3 In general, constituents' responses to ITC 12 did not favour the use of quantitative thresholds for determining which entities could apply either full IFRSs or the IFRS for

SMEs on the basis that setting those thresholds is likely to be an arbitrary exercise with no conceptual basis.

A.1.4 There was some support for using public accountability as defined by the IASB as a determining factor for the for-profit private sector. A number of constituents noted that applying a similar concept in the public sector and private not-for-profit sector would be problematic since all types of entities in those sectors are often considered to have public accountability in the general sense of that term.

#### **AASB Tentative Decisions to Date**

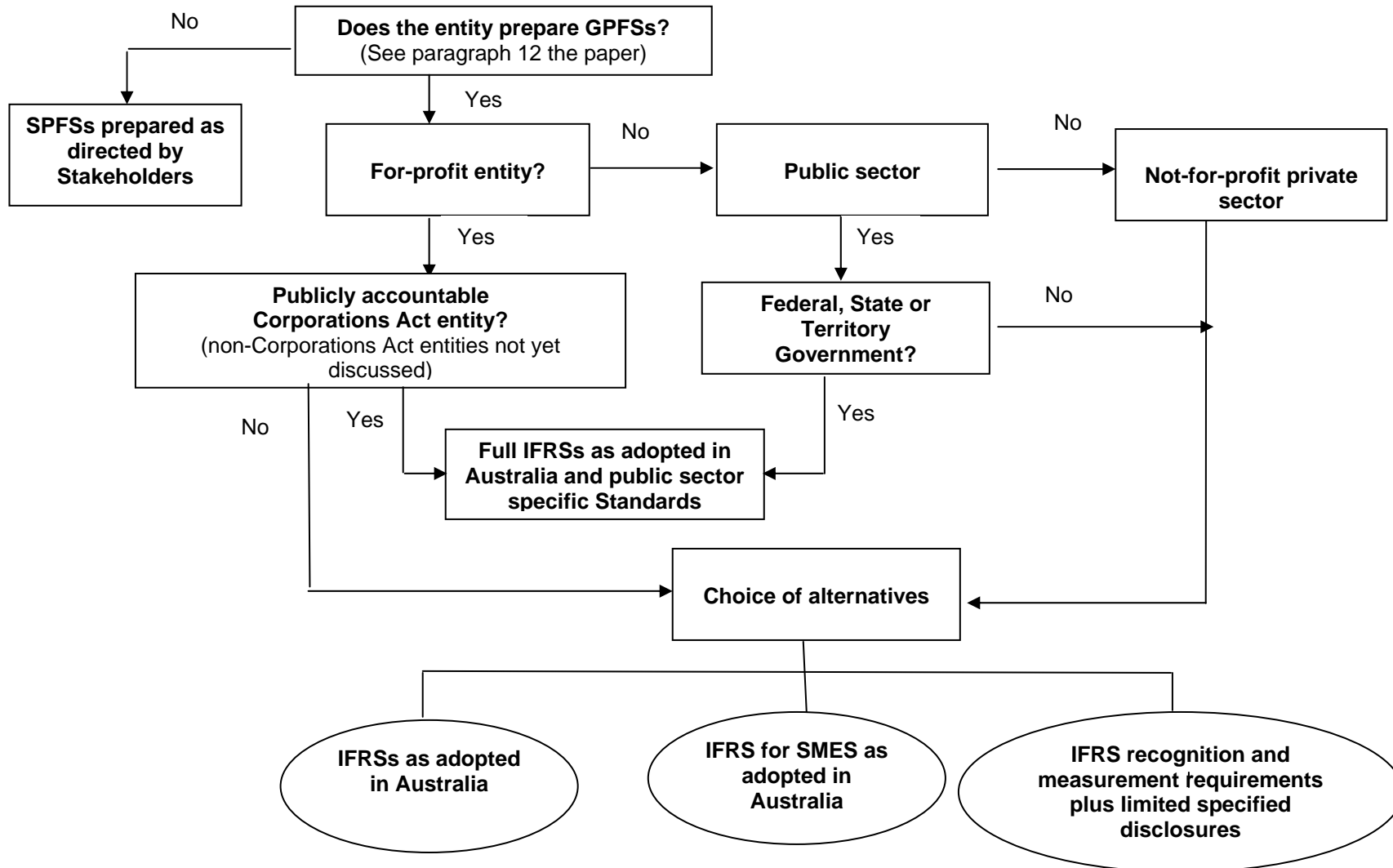
A.1.5 Since considering the comments on ITC 12, the AASB has been seeking to clarify its thinking on the meaning of GPFs, and identified that GPFs would be financial statements that satisfy two conditions:

- (1) they are publicly available, whether under a legal mandate or voluntarily; and
- (2) they are either:
  - (a) prepared in accordance with accounting standards under a legal mandate or held out to be so prepared; or
  - (b) required to be GPFs under a legal mandate or held out to be GPFs.

A.1.6 The AASB considers it would be worthwhile to retain the reporting entity concept as an umbrella concept, to provide the principles for its own deliberations in the future and also to assist other regulators to identify entities that should prepare GPFs and those that need not. The AASB views this as important in trying to achieve more effective and consistent regulation across a wide variety of entities and jurisdictions. However, the AASB does recognise the need, at the operational level of the standards, to use differential reporting to cater for the differing levels of user need.

A.1.7 The diagram on the next page depicts the AASB tentative decisions to date on redeliberating the ITC 12 proposals.

**Revised differential reporting regime based on the Board's tentative decisions to date**



## Appendix 2: High-level Comparison of the IFRS for SMEs and Full IFRSs

- A.2.1. The IFRS for SMEs is intended to be applied by for-profit entities that prepare general purpose financial statements but are not publicly accountable. Under the IFRS for SMEs an entity has public accountability if:
- (a) its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or
  - (b) it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. This is typically the case for banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks.
- A.2.2. The IFRS for SMEs is a standard of 230 pages organised by topic that does not include cross-references to full IFRSs, except for IAS 39 *Financial Instruments: Recognition and Measurement*.
- A.2.3. It is up to jurisdictions to decide whether to require or permit its use. Accordingly, the Standard does not have an effective date.

### Accounting policy hierarchy

- A.2.4. When the Standard contains no specific guidance on an issue, the entity's management should apply its judgement using the following sources in descending order:
- (a) the requirements and guidance in the IFRS for SMEs dealing with a similar and related issue; and
  - (b) the definitions, recognition criteria and measurement concepts and the pervasive principles in section 2 *Concepts and Pervasive Principles* of the IFRS for SMEs

The entity's management may also consider the requirements and guidance in full IFRSs dealing with similar and related issues, but is not required to do so.

- A.2.5. The hierarchy of sources for determining accounting policies under the IFRS for SMEs is different from that in full IFRSs. Under full IFRSs management should use its judgement using the following sources in descending order
- (a) the requirements and guidance in full IFRSs dealing with similar and related issues; and
  - (b) the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the *Framework for Preparation and Presentation of Financial Statements*.

In making this judgement, management may also consider the most recent pronouncements of other standard setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature and accepted industry practices, to the extent that these do not conflict with the sources in (a) and (b) above. The use of concepts and pervasive principles, and not full

IFRSs, as the second source under the hierarchy in the IFRS for SMEs means that the IFRS for SMEs would allow entities to ignore the requirements of full IFRSs even when the specific accounting issue is addressed in those IFRSs. This would mean identical transactions can be accounted for differently by different entities and differently from publicly accountable entities.

### **Five types of simplifications**

A.2.6. The IFRS for SMEs contains simplifications of full IFRSs in different ways:

- (a) some topics in full IFRSs are omitted because they are not relevant to typical SMEs;
- (b) SMEs are limited to particular accounting policy options — generally the simpler option in full IFRSs is mandated or a new accounting policy is required;
- (c) some recognition and measurement principles that are in full IFRSs have been simplified;
- (d) presentation simplifications and substantially fewer disclosures; and
- (e) simplified drafting.

#### **(a) Omitted topics**

A.2.7. The IFRS for SMEs does not address the following topics:

- (a) earnings per share;
- (b) interim financial reporting;
- (c) segment reporting; and
- (d) special accounting for assets held for sale.

**(b) SMEs limited to particular options**

A.2.8. The following table shows some examples where the IFRS for SMEs limits entities to particular policy options in full IFRSs or requires a new accounting policy.

<b>Subject</b>	<b>IFRS for SMEs Treatment</b>	<b>Full IFRS Treatment</b>
<b>Non-current assets (or groups of assets and liabilities) held for sale</b>	Holding assets for sale triggers an assessment for impairment, but otherwise no special 'held-for-sale' classification or special accounting requirements.	IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> : Measured at lower of carrying amount and fair value less costs to sell. Depreciation stops when classified as held for sale.
<b>Unvested past service cost of defined benefit pension plans</b>	Recognised in profit or loss immediately.	IAS 19 <i>Employee Benefits</i> : Recognised as an expense on a straight-line basis over the average period until the benefits become vested.
<b>Exchange differences on a monetary item that forms part of the net investment in a foreign operation, in consolidated financial statements</b>	Recognise in other comprehensive income and do not reclassify in profit or loss on disposal of the investment	IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i> : Reclassify in profit or loss on disposal of the investment.
<b>Borrowing costs</b>	Must be charged to expense. Capitalisation not an option.	IAS 23 <i>Borrowing Costs</i> : Costs directly attributable to the acquisition, construction or production of a qualifying asset must be capitalised.
<b>Investment in an associate for which there is a published price quotation</b>	Must be measured at fair value through profit or loss.	IAS 28 <i>Investments in Associates</i> : Must be measured using the equity method.
<b>Investment in a jointly controlled entity for which there is a published price quotation</b>	Must be measured at fair value through profit or loss.	IAS 31 <i>Interests in Joint Ventures</i> : Must be measured using the equity method or proportionate consolidation.

Subject	IFRS for SMEs Treatment	Full IFRS Treatment
<b>Investment property whose fair value can be measured reliably without undue cost or effort</b>	Must be measured at fair value through profit or loss.	IAS 40 <i>Investment Property</i> : Accounting policy choice of fair value through profit or loss or cost-depreciation-impairment model.
<b>Biological assets</b>	Measure at fair value through profit or loss only if fair value is readily determinable without undue cost or effort.	IAS 41 <i>Agriculture</i> : Presumption that fair value can be reliably measured.
<b>Income tax</b>	Where a different tax rate applies to distributed income, initially measure current and deferred taxes at the rate applicable to undistributed profits. (Note: Income Tax section of the IFRS for SMEs is based on Income Tax ED published in March 2009 and not IAS 12).	Under the income Tax ED, initially measure current and deferred taxes at the tax rate expected to apply when the profits are distributed.
<b>Share-based payments with cash alternatives in which the terms of the arrangement provide the counterparty with a choice of settlement</b>	Account for the transaction as a cash-settled share-based payment transaction unless either the entity has a past practice of settling by issuing equity instruments or the option to settle in cash has no commercial substance.	Under IFRS 2 <i>Share-based Payment</i> when the entity has a choice of settlement in a transaction, it accounts for the transaction as equity-settled provided the entity has the stated intent and ability to settle in equity instruments. Otherwise the transaction is accounted for as cash-settled. When the counterparty has the choice of settlement, the accounting is akin to a compound instrument with liability and equity components accounted for separately.
<b>Research and development costs</b>	Must be charged to expense. Capitalisation not an option.	Research costs are expensed. Capitalisation of development costs permitted under certain conditions.

Subject	IFRS for SMEs Treatment	Full IFRS Treatment
<b>Government grant</b>	All grants are recognised in income when the performance conditions are met or earlier if there are no performance conditions. All grants are measured at the fair value of the asset received or receivable. (similar to IAS 41 <i>Agriculture</i> requirements in respect of government grants).	IAS 20 <i>Accounting of Government Grants and Disclosure of Government Assistance</i> permits a range of methods based on the matching notion that are not allowed by the IFRS for SMEs.
<b>Property, Plant and Equipment and Intangible Assets other than Goodwill</b>	<p>Subsequent measurement at cost less accumulated depreciation or amortisation and impairment losses after initial recognition. Revaluation is not permitted.</p> <p>No annual review of the useful life, residual value, and depreciation or amortisation method. Instead, a review is required only if there is an indication that there has been a significant change since the last annual reporting date.</p> <p>All intangibles are assumed to have finite lives and amortised over their useful lives (if not determinable over 10 years).</p>	<p>IAS 16 <i>Property, Plant and Equipment</i> and IAS 38 <i>Intangible Assets</i> permit subsequent measurement at cost or revaluation, subject to specific guidance in those Standards.</p> <p>IAS 16 and IAS 38 require useful lives, residual values and depreciation or amortisation methods to be reviewed at least at each financial year-end.</p> <p>Under IAS 38 intangibles may have indefinite useful lives and those with indefinite lives are not amortised.</p>

**(c) Simplified recognition or measurement principles**

A.2.9. The following table shows some examples of recognition and measurement simplifications:

Subject	IFRS for SMEs Treatment	Full IFRS Treatment
<b>Financial instruments</b>	<b>IAS 39:</b> The entity has a choice of referring to IAS 39 for recognition and measurement. Disclosures would, however, not follow IFRS 7 rather it should follow those required by the IFRS for SMEs	

Subject	IFRS for SMEs Treatment	Full IFRS Treatment
	<p><b>Classification:</b> Financial instruments that meet specified criteria are measured at cost or amortised cost (section 11 of the Standard), and all others are measured at fair value through profit or loss (section 12 of the Standard). The available-for-sale and held-to-maturity classifications in IAS 39 are not available.</p> <p><b>Derecognition:</b> The IFRS for SMEs establishes a simple principle for derecognition.</p> <p><b>Hedge accounting:</b> The IFRS for SMEs focuses on the types of hedging that SMEs are likely to do, specifically hedges of:</p> <ul style="list-style-type: none"> <li>(i) interest rate risk of a debt instrument measured at amortised cost;</li> <li>(ii) foreign exchange risk or interest rate risk in a firm commitment or a highly probable forecast transaction;</li> <li>(iii) price risk of a commodity that it holds or in a firm commitment or a highly probable forecast transaction to purchase or sell; and</li> <li>(iv) foreign exchange risk in a net investment in a foreign operation.</li> </ul> <p>Section 12 requires periodic recognition and measurement of hedge ineffectiveness, but under less strict conditions than those in IAS 39.</p>	<p>IAS 39 does not differentiate between basic and complex financial instruments. IAS 39 has two more classifications; that is the available-for-sale and held-to-maturity classifications.</p> <p>IAS 39 relies on the ‘pass-through’ and ‘continuing involvement’ provisions in relation to derecognition transactions.</p> <p>IAS 39 is not as restrictive as IFRS for SMEs in respect of risks to be hedged; and has complex ongoing hedge effectiveness testing.</p>
<p><b>Goodwill and other indefinite-lived intangible assets</b></p>	<p>These assets should be amortised over their estimated useful lives, with a maximum amortisation period of ten years. The assets</p>	<p>Under IAS 36 <i>Impairments of Assets</i> goodwill is not amortised and is tested for impairment annually</p>

Subject	IFRS for SMEs Treatment	Full IFRS Treatment
	need to be assessed for impairment only when there is an indication of impairment.	regardless of there being an indication of impairment.
<b>Associates and joint ventures for which there is not a published price quotation</b>	Cost method for associates and joint ventures in addition to equity method. (But any investment in an associate or jointly controlled entity for which there is a published price quotation must be measured at fair value through profit or loss.)	IAS 28 <i>Investments in Associates</i> requires an entity to account for its investments in associates by the equity method. IAS 31 <i>Interests in Joint Ventures</i> allows an entity to account for its investments in jointly controlled entities by either the equity method or proportionate consolidation.
<b>Actuarial gains and losses of defined benefit plans</b>	Recognise actuarial gains and losses in profit or loss or other comprehensive income.	Under IAS 19 <i>Employee Benefits</i> , an entity can choose any of the following options for recognising actuarial gains and losses:  (a) in full in profit or loss when they occur; (b) in full directly in other comprehensive income when they occur; (c) using the corridor approach; or (d) in profit or loss using any systematic method that results in faster recognition than (c) above.
<b>Defined benefit obligation measurement</b>	If information based on the projected unit credit calculations of IAS 19 is already available or can be obtained without undue cost or effort, SMEs must use that method. Otherwise apply an approach that is based on IAS 19 but does not consider future salary progression, future service or possible mortality during an employee's period of service.	IAS 19 <i>Employee Benefits</i> requires that a defined benefit obligation should always be measured using the projected unit credit actuarial method.

**(d) Presentation simplifications**

A.2.10. The following table shows presentation simplifications:

<b>Subject</b>	<b>IFRS for SMEs Treatment</b>	<b>Full IFRS Treatment</b>
<b>Comparatives</b>	An entity need only present one comparative statement of financial position.	IAS 1 <i>Presentation of Financial Statements</i> requires an entity to present two comparative statements of financial position when the entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.
<b>Deferred tax assets and liabilities</b>	All deferred tax assets and liabilities must be classified as non-current assets or liabilities.	The Income Tax ED (March 2009) proposes that deferred taxes and liabilities should be classified as either current or non-current according to the classification of the related non-tax asset or liability in the statement of financial position.
<b>Income Statement and Statement of Changes in Equity</b>	An entity is permitted to present a single statement of income and retained earnings in place of separate statements of comprehensive income and changes in equity if the only changes to its equity during the periods for which financial statements are presented arise from profit or loss, payment of dividends, corrections of prior period errors, and changes in accounting policy.	This option does not exist in IAS 1.

A.2.11. The disclosure requirements in the IFRS for SMEs are substantially reduced compared with the disclosure requirements in full IFRSs. There are four principal bases on which the disclosures have been reduced:

- (a) some disclosures are not included because they relate to topics covered in full IFRSs that are omitted from the IFRS for SMEs;
- (b) some disclosures are not included because they relate to recognition and measurement principles in full IFRSs that have been replaced by simplifications in the IFRS for SMEs;

- (c) some disclosures are not included because they relate to options in full IFRSs that are not included in the IFRS for SMEs; and
- (d) some disclosures are not included on the basis of users' needs or cost-benefit considerations.

### Appendix 3:

#### The Basis for the Recommended Approach to Determining Disclosures under the Reduced Disclosure Regime

- A.3.1. There are a number of possible approaches to determining disclosures under the reduced disclosure regime. These include:
- (a) Using the disclosures in the IFRS for SMEs in relation to accounting policy options that align with full IFRSs. In determining disclosures relating to full IFRS accounting policy recognition and measurement options that have not been included in the IFRS for SMEs, principles used by the IASB in determining disclosures under that Standard would be used to the extent applicable.
  - (b) Using ASIC model in regard to reporting by *Corporations Act 2001* entities that are not reporting entities. ASIC guidance<sup>10</sup> requires non-reporting entities which are required to prepare financial reports in accordance with Chapter 2M of the Corporations Act to comply with the recognition and measurement requirements of accounting standards. These entities also need to apply AASBs 101 *Presentation of Financial Statements*, 107 *Cash Flow Statements* and 108 *Accounting Policies, Changes in Accounting Estimates and Errors* in full, and interpretations to the extent relevant under AASB 1048 *Interpretation and Application of Standards*.
  - (c) Using AASB 1039 *Concise Financial Reports* as a model.
  - (d) Using the ‘reporting by exception’ principle underlying interim financial reporting.
  - (e) Applying a fully developed and principled approach to rationalising disclosures under full IFRSs (including for differential reporting purposes)<sup>11</sup>.
  - (f) Applying the basis used for special purpose financial statements where recognition and measurement requirements are applied selectively.

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<sup>10</sup> Reporting requirements by non-reporting entities, An ASIC guide, July 2005.

<sup>11</sup> FASB initiated its Disclosure Framework project in July 2009. The work resulting from this project can be a good source for devising display principles.

- A.3.2. Approaches (b) to (f) were assessed as being unsuitable for determining disclosures under the reduced disclosure regime for the following reasons:

*Approach (b)*

This approach is based on the model currently applied by non-reporting entities. It has the advantage of being practice oriented. However, it does not provide all the necessary disclosures under the reduced disclosure regime that would satisfy the objective of financial reporting.

*Approach (c)*

Concise financial reports provide limited information and are intended to help shareholders identify if and when they consider it would be useful to obtain more comprehensive and detailed information by requesting a copy of the (full) financial report. Moreover, AASB 1039 does not purport that concise financial reports are general purpose. Accordingly a regime based on this approach would not, on its own, lead to financial statements that satisfy the objective of financial reporting.

*Approach (d)*

Under AASB 1034 *Interim Financial Reporting*, interim financial statements are seen as updates on the latest annual financial statements and focus on new activities, events, and circumstances and should not duplicate information previously reported. The use of a 'reporting by exception principle' is therefore conditional on the existence of another financial report, namely; the previous annual report. Accordingly, a regime based on this approach would not be appropriate because the reduced disclosure regime is a set of requirements for preparing GPFs in its own right.

*Approach (e)*

This would be an ideal approach since it uses clear display principles. However, this is a long-term approach to creating a principled disclosure for full IFRSs and a reduced disclosure regime. It would not be appropriate in the current circumstances, where for pragmatic reasons, a reduced disclosure regime needs to be created in the short-term. The ideal could ever be beyond the medium term.

*Approach (f)*

This approach would not be suitable because selective application of recognition and measurement requirements underlying the preparation of special purpose financial statements does not accord with the reduced disclosure regime that is intended to apply to GPFSs.

A.3.3. Approach (a) was assessed as being the most appropriate in the current circumstances for the following reasons:

- (a) it satisfies the principal premise of the reduced disclosure regime, that is, the inclusion of full IFRS recognition and measurement requirements;
- (b) it uses the same principles applied by the IASB in developing the IFRS for SMEs, that is, user needs and cost benefit considerations. This allows it:
  - (i) to identify disclosures required by the IFRS for SMEs in relation to recognition and measurement accounting policy options that align with full IFRSs as the benchmark; and
  - (ii) to determine minimum disclosures in relation to full IFRS recognition and measurement accounting policy options which do not have IFRS for SMEs equivalents due to removal or simplification of the option, using similar principles; and

In addition, this approach would be able draw on the principle used in AASB 127, that is, relying on information available at a higher level in the group to reduce disclosures by entities at a lower level.

#### Appendix 4: Current differential reporting deliberations in other jurisdictions

A.4.1. The New Zealand Ministry of Economic Development (MED) has recently released (**STILL TO HAPPEN**) a discussion document proposing a new statutory framework for general purpose financial reporting in New Zealand. The MED proposals can be summarised in the following table:

	<i>For-profit sector</i>	<i>Public sector</i>	<i>Not-for-profit sector</i>
<i>Entity type</i>	Issuers of public securities	Leviers of coercive revenue	Large recipients of public donations
<i>Standards</i>	'pure' IFRSs	'pure' IPSASs	NFP standards
<i>Entity type</i>	Others required to report	Other large entities	Other large entities Non-large recipients of public donations
<i>Standards</i>	IFRS for SMEs	Differential IPSASs	Differential NFP standards
<i>Entity type</i>	N/A	Other small entities	Other small entities
<i>Standards</i>	N/A	Simple format reporting	Simple format reporting

A.4.2. Canada plans to adopt full IFRSs as from January 2011 for publicly accountable entities. In April 2009, the Canadian Institute of Chartered Accountants released an Exposure Draft *Generally Accepted Accounting Principles for Private Enterprises*, proposing that private enterprises apply a separate standard based on current CICA Handbook material that is less prescriptive and more principle-based than the existing Handbook.

A.4.3. The UK Accounting Standards Board issued a consultation paper *The Future of UK GAAP* in August 2009 setting out its Policy Proposals, which can be summarised in the following table:

<i>Standards</i>	<i>Type/nature of entities</i>
IFRSs (EU adopted)	EU listed-consolidated Alternative Investment Market (AIM)
IFRS (EU Adopted)	Publicly accountable including publicly accountable wholly-owned subsidiaries
IFRS for SMEs	Large and medium non-publicly accountable
Financial Reporting Standard for Smaller Entities (part of UK GAAP)	Small

A.4.4. In the United States, the Financial Accounting Standards Board and the American Institute of Certified Public Accountants have embarked on a major initiative to further improve the FASB’s current standard-setting process to consider the financial reporting needs of private companies and their constituents. Part of that initiative involves a new committee, the Private Company Financial Reporting Committee (PCFRC), whose primary objective is to provide recommendations to the FASB. The PCFRC is monitoring the progress of the Securities and Exchange Commission’s efforts on adopting IFRS for public companies, and is discussing possible models for private company accounting, on the assumption that US public companies will be required to comply with full IFRS. These initial models include making available the option of following: the IFRS for SMEs; the IFRS for SMEs tailored to suit the needs of private company financial reporting constituents in the United States; full IFRSs modified to suit the needs of private company financial reporting constituents; and separate private company GAAP.

**Appendix 5: Examples of reduction from full IFRS disclosures under the reduced disclosure regime using the approach identified in paragraph 7.2 of the paper**

The following are examples of potential reduction from full IFRS disclosures under the reduced disclosure regime if such disclosures are benchmarked to disclosures under the IFRS for SMEs.

**AASB 117 Leases vs. IFRS for SMEs Section 20 Leases**

Disclosures under full IFRSs	Potential Disclosures under Reduced Disclosure Regime
<p><i>Leases in the Financial Statements of Lessees</i>  <b>Finance Leases:</b>  <b>Disclosures</b>  <b>31. Lessees shall, in addition to meeting the requirements of AASB 7 Financial Instruments: Disclosures, make the following disclosures for finance leases:</b></p> <ul style="list-style-type: none"> <li>(a) <b>for each class of asset, the net carrying amount at the reporting date;</b></li> <li>(b) <b>a reconciliation between the total of future minimum lease payments at the reporting date, and their present value. In addition, an entity shall disclose the total of future minimum lease payments at the reporting date, and their present value, for each of the following periods:</b> <ul style="list-style-type: none"> <li>(i) <b>not later than one year;</b></li> <li>(ii) <b>later than one year and not later than five years;</b></li> <li>(iii) <b>later than five years;</b></li> </ul> </li> <li>(c) <b>contingent rents recognised as an expense in the period;</b></li> <li>(d) <b>the total of future minimum sublease payments expected to be received under non-cancellable subleases at the reporting date; and</b></li> <li>(e) <b>a general description of the lessee’s material leasing arrangements including, but not limited to, the following:</b> <ul style="list-style-type: none"> <li>(i) <b>the basis on which contingent rent payable is determined;</b></li> </ul> </li> </ul>	<p><b>Disclosures</b>                  20.13 A lessee shall make the following disclosures for finance leases:</p> <ul style="list-style-type: none"> <li>(a) for each class of asset, the net carrying amount at the end of the reporting period.</li> <li>(b) the total of future minimum lease payments at the end of the reporting period, for each of the following periods:                         <ul style="list-style-type: none"> <li>(i) not later than one year;</li> <li>(ii) later than one year and not later than five years; and</li> <li>(iii) later than five years.</li> </ul> </li> <li>(c) a general description of the lessee’s significant leasing arrangements including, for example, information about contingent rent, renewal or purchase options and escalation clauses, subleases, and restrictions imposed by lease arrangements.</li> </ul>

Disclosures under full IFRSs	Potential Disclosures under Reduced Disclosure Regime
<p>(ii) the existence and terms of renewal or purchase options and escalation clauses; and (iii) restrictions imposed by lease arrangements, such as those concerning dividends, additional debt, and further leasing.</p>	
32. In addition, the requirements for disclosure in accordance with AASB 116, AASB 136, AASB 138, AASB 140 and AASB 141 apply to lessees for assets leased under finance leases.	20.14 In addition, the requirements for disclosure about assets in accordance with Sections 17, 18, 27 and 34 apply to lessees for assets leased under finance leases.
<p><b>Operating Leases Disclosures</b></p> <p>35. Lessees shall, in addition to meeting the requirements of AASB 7, make the following disclosures for operating leases:</p> <p>(a) the total of future minimum lease payments under non-cancellable operating leases for each of the following periods: (i) not later than one year; (ii) later than one year and not later than five years; (iii) later than five years;</p> <p>(b) the total of future minimum sublease payments expected to be received under non-cancellable subleases at the reporting date;</p> <p>(c) lease and sublease payments recognised as an expense in the period, with separate amounts for minimum lease payments, contingent rents, and sublease payments;</p> <p>(d) a general description of the lessee's significant leasing arrangements including, but not limited to, the following: (i) the basis on which contingent rent payable is determined; (ii) the existence and terms of renewal or purchase options and escalation clauses; and (iii) restrictions imposed by lease arrangements, such as those concerning dividends, additional debt, and further leasing.</p>	<p>20.16 A lessee shall make the following disclosures for operating leases:</p> <p>(a) the total of future minimum lease payments under non-cancellable operating leases for each of the following periods: (i) not later than one year; (ii) later than one year and not later than five years; and (iii) later than five years.</p> <p>(b) lease payments recognised as an expense.</p> <p>(c) a general description of the lessee's significant leasing arrangements including, for example, information about contingent rent, renewal or purchase options and escalation clauses, subleases, and restrictions imposed by lease arrangements.</p>
<i>Leases in the Financial Statements of Lessors</i>	20.23 A lessor shall make the following disclosures for finance leases:

Disclosures under full IFRSs	Potential Disclosures under Reduced Disclosure Regime
<p><b>Finance Leases:</b>  <b>Disclosures</b></p> <p>47. Lessors shall, in addition to meeting the requirements in AASB 7, disclose the following for finance leases:</p> <p>(a) a reconciliation between the gross investment in the lease at the reporting date, and the present value of minimum lease payments receivable at the reporting date. In addition, an entity shall disclose the gross investment in the lease and the present value of minimum lease payments receivable at the reporting date, for each of the following periods:                      (i) not later than one year;                      (ii) later than one year and not later than five years;                      (iii) later than five years;</p> <p>(b) unearned finance income;</p> <p>(c) the unguaranteed residual values accruing to the benefit of the lessor;</p> <p>(d) the accumulated allowance for uncollectible minimum lease payments receivable;</p> <p>(e) contingent rents recognised as income in the period; and</p> <p>(f) a general description of the lessor's material leasing arrangements.</p>	<p>(a) a reconciliation between the gross investment in the lease at the end of the reporting period, and the present value of minimum lease payments receivable at the end of the reporting period. In addition, a lessor shall disclose the gross investment in the lease and the present value of minimum lease payments receivable at the end of the reporting period, for each of the following periods:                      (i) not later than one year;                      (ii) later than one year and not later than five years; and                      (iii) later than five years.</p> <p>(b) unearned finance income.</p> <p>(c) the unguaranteed residual values accruing to the benefit of the lessor.</p> <p>(d) the accumulated allowance for uncollectible minimum lease payments receivable.</p> <p>(e) contingent rents recognised as income in the period.</p> <p>(f) a general description of the lessor's significant leasing arrangements, including, for example, information about contingent rent, renewal or purchase options and escalation clauses, subleases, and restrictions imposed by lease arrangements.</p>
<p>48. As an indicator of growth it is often useful also to disclose the gross investment less unearned income in new business added during the period, after deducting the relevant amounts for cancelled leases.</p>	

<b>Disclosures under full IFRSs</b>	<b>Potential Disclosures under Reduced Disclosure Regime</b>
<p><b>Operating Leases Disclosures</b></p> <p><b>56. Lessors shall, in addition to meeting the requirements of AASB 7, disclose the following for operating leases:</b></p> <p style="padding-left: 20px;"><b>(a) the future minimum lease payments under non-cancellable operating leases in the aggregate and for each of the following periods:</b></p> <p style="padding-left: 40px;"><b>(i) not later than one year;</b></p> <p style="padding-left: 40px;"><b>(ii) later than one year and not later than five years;</b></p> <p style="padding-left: 40px;"><b>(iii) later than five years;</b></p> <p style="padding-left: 20px;"><b>(b) total contingent rents recognised as income in the period; and</b></p> <p style="padding-left: 20px;"><b>(c) a general description of the lessor’s leasing arrangements.</b></p>	<p>20.30 A lessor shall disclose the following for operating leases:</p> <p style="padding-left: 20px;">(a) the future minimum lease payments under non-cancellable operating leases for each of the following periods:</p> <p style="padding-left: 40px;">(i) not later than one year; and</p> <p style="padding-left: 40px;">(ii) later than one year and not later than five years; and</p> <p style="padding-left: 40px;">(iii) later than five years.</p> <p style="padding-left: 20px;">(b) total contingent rents recognised as income.</p> <p style="padding-left: 20px;">(c) a general description of the lessor’s significant leasing arrangements, including, for example, information about contingent rent, renewal or purchase options and escalation clauses, and restrictions imposed by lease arrangements.</p>
<p>57. In addition, the disclosure requirements in AASB 116, AASB 136, AASB 138, AASB 140 and AASB 141 apply to lessors for assets provided under operating leases.</p>	<p>20.31 In addition, the requirements for disclosure about assets in accordance with Sections 17, 18, 27 and 34 apply to lessors for assets provided under operating leases.</p>
<p>65. Disclosure requirements for lessees and lessors apply equally to sale and leaseback transactions. The required description of material leasing arrangements leads to disclosure of unique or unusual provisions of the agreement or terms of the sale and leaseback transactions.</p>	<p>20.35 Disclosure requirements for lessees and lessors apply equally to sale and leaseback transactions. The required description of significant leasing arrangements includes description of unique or unusual provisions of the agreement or terms of the sale and leaseback transactions.</p>
<p>66. Sale and leaseback transactions may trigger the separate disclosure criteria in AASB 101 <i>Presentation of Financial Statements</i>. (Commentary)</p>	

***AASB 128 Investments in Associates vs. IFRS for SMEs Section 14 Investments in Associates***

Disclosures under full IFRSs	Potential Disclosures under Reduced Disclosure Regime
<p><b>Disclosure</b></p> <p><b>37. The following disclosures shall be made:</b></p> <ul style="list-style-type: none"> <li><b>(a) the fair value of investments in associates for which there are published price quotations;</b></li> <li><b>(b) summarised financial information of associates, including the aggregated amounts of assets, liabilities, revenues and profit or loss;</b></li> <li><b>(c) the reasons why the presumption that an investor does not have significant influence is overcome if the investor holds, directly or indirectly through subsidiaries, less than 20% of the voting or potential voting power of the investee but concludes that it has significant influence;</b></li> <li><b>(d) the reasons why the presumption that an investor has significant influence is overcome if the investor holds, directly or indirectly through subsidiaries, 20% or more of the voting or potential voting power of the investee but concludes that it does not have significant influence;</b></li> <li><b>(e) the end of the reporting period of the financial statements of an associate, when such financial statements are used in applying the equity method and are as of a date or for a period that is different from that of the investor, and the reason for using a different date or different period;</b></li> <li><b>(f) the nature and extent of any significant restrictions (e.g. resulting from borrowing arrangements or regulatory requirements) on the ability of associates to transfer funds to the investor in the form of cash dividends, or repayment of loans or advances;</b></li> <li><b>(g) the unrecognised share of losses of an associate, both for the period and cumulatively, if an investor has discontinued recognition of its share of losses of an associate;</b></li> <li><b>(h) the fact that an associate is not accounted for using the equity method in accordance with paragraph 13; and</b></li> <li><b>(i) summarised financial information of associates, either</b></li> </ul>	<p><b>Disclosures</b></p> <p><b>14.12 An investor in an associate shall disclose the following:</b></p> <ul style="list-style-type: none"> <li><b>(a) its accounting policy for investments in associates.</b></li> <li><b>(b) ....</b></li> <li><b>(c) the fair value of investments in associates accounted for using the equity method for which there are published price quotations.</b></li> </ul>

Disclosures under full IFRSs	Potential Disclosures under Reduced Disclosure Regime
individually or in groups, that are not accounted for using the equity method, including the amounts of total assets, total liabilities, revenues and profit or loss.	
<p>38. Investments in associates accounted for using the equity method shall be classified as non-current assets. The investor's share of the profit or loss of such associates, and the carrying amount of those investments, shall be separately disclosed. The investor's share of any discontinued operations of such associates shall also be separately disclosed.</p>	<p>14.12 An investor in an associate shall disclose the following:                      ....                      (b) the carrying amount of investments in associates (see paragraph 4.2(j)).                      ....</p> <p>14.14 For investments in associates accounted for by the equity method, an investor shall disclose separately its share of the profit or loss of such associates and its share of any discontinued operations of such associates.</p>
<p>39. The investor's share of changes recognised in other comprehensive income by the associate shall be recognised by the investor in other comprehensive income.</p>	
<p>40. In accordance with AASB 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i>, the investor shall disclose:</p> <p>(a) its share of the contingent liabilities of an associate incurred jointly with other investors; and</p> <p>(b) those contingent liabilities that arise because the investor is severally liable for all or part of the liabilities of the associate.</p>	

*AASB 131 Interests in Joint Ventures vs. IFRS for SMEs Section 15 Investments in Joint Venture*

Disclosures under full IFRSs	Potential Disclosures under Reduced Disclosure Regime
<p>Disclosure                      Interests in Joint Ventures</p> <p>54. A venturer shall disclose the aggregate amount of the following contingent liabilities, unless the probability of loss is remote, separately from the amount of other contingent liabilities:</p> <p>(a) any contingent liabilities that the venturer has incurred in relation to its interests in joint ventures and its share in each of the contingent liabilities that have been incurred jointly with other venturers;</p> <p>(b) its share of the contingent liabilities of the joint ventures themselves for which it is contingently liable; and</p>	

<b>Disclosures under full IFRSs</b>	<b>Potential Disclosures under Reduced Disclosure Regime</b>
<p>(c) those contingent liabilities that arise because the venturer is contingently liable for the liabilities of the other venturers of a joint venture.</p>	
<p><b>55. A venturer shall disclose the aggregate amount of the following commitments in respect of its interests in joint ventures separately from other commitments:</b></p> <p>(a) any capital commitments of the venturer in relation to its interests in joint ventures and its share in the capital commitments that have been incurred jointly with other venturers; and</p> <p>(b) its share of the capital commitments of the joint ventures themselves.</p>	<p>15.19 An investor in a joint venture shall disclose:</p> <p>....</p> <p>(d) the aggregate amount of its commitments relating to joint ventures, including its share in the capital commitments that have been incurred jointly with other venturers, as well as its share of the capital commitments of the joint ventures themselves.</p>
<p><b>56. A venturer shall disclose a listing and description of interests in significant joint ventures and the proportion of ownership interest held in jointly controlled entities. A venturer that recognises its interests in jointly controlled entities using the line-by-line reporting format for proportionate consolidation or the equity method shall disclose the aggregate amounts of each of current assets, long-term assets, current liabilities, long-term liabilities, income and expenses related to its interests in joint ventures.</b></p>	
<p><b>57. A venturer shall disclose the method it uses to recognise its interests in jointly controlled entities.</b></p>	<p>15.19 An investor in a joint venture shall disclose:</p> <p>(a) the accounting policy it uses for recognising its interests in jointly controlled entities.</p> <p>(b) the carrying amount of investments in jointly controlled entities (see paragraph 4.2(k)).</p> <p>(c) the fair value of investments in jointly controlled entities accounted for using the equity method for which there are published price quotations.</p> <p>(d) ....</p>
	<p>15.20 For jointly controlled entities accounted for in accordance with the equity method, the venturer shall also make the disclosures required by paragraph 14.14 for equity method investments.</p>

***AASB 7 Financial Instruments: Disclosures***  
***vs. IFRS for SMEs Section 11 Basic Financial Instruments and Section 12 Other Financial Instruments Issues***

<b>Disclosures under full IFRSs</b>	<b>Potential Disclosures under Reduced Disclosure Regime</b>
<p><b>Classes of Financial Instruments and Level of Disclosure</b></p> <p>6 When this Standard requires disclosures by class of financial instrument, an entity shall group financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. An entity shall provide sufficient information to permit reconciliation to the line items presented in the statement of financial position.</p>	
<p><b>Other disclosures</b></p> <p><b>Accounting policies</b></p> <p>21 In accordance with paragraph 117 of AASB 101 <i>Presentation of Financial Statements</i> (as revised in 2007), an entity discloses, in the summary of significant accounting policies, the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements.</p>	<p><b>Disclosure of accounting policies for financial instruments</b></p> <p>11.40 In accordance with paragraph 8.5, an entity shall disclose, in the summary of significant accounting policies, the measurement basis (or bases) used for financial instruments and the other accounting policies used for financial instruments that are relevant to an understanding of the financial statements.</p>
<p><b>Statement of financial position</b></p> <p><b>Categories of financial assets and financial liabilities</b></p> <p>8 The carrying amounts of each of the following categories, as defined in AASB 139, shall be disclosed either in the statement of financial position or in the notes:</p> <ul style="list-style-type: none"> <li>(a) financial assets at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition and (ii) those classified as held for trading in accordance with AASB 139;</li> <li>(b) held-to-maturity investments;</li> <li>(c) loans and receivables;</li> <li>(d) available-for-sale financial assets;</li> <li>(e) financial liabilities at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition</li> </ul>	<p><b>Statement of financial position – categories of financial assets and financial liabilities</b></p> <p>11.41 An entity shall disclose the carrying amounts of each of the following categories of financial assets and financial liabilities at the reporting date, in total, either in the statement of financial position or in the notes:</p> <ul style="list-style-type: none"> <li>(a) financial assets measured at fair value through profit or loss (paragraph 11.14(c)(i) and paragraphs 12.8 and 12.9).</li> <li>(b) financial assets that are debt instruments measured at amortised cost (paragraph 11.14(a)).</li> <li>(c) financial assets that are equity instruments measured at cost less impairment (paragraph 11.14(c)(ii) and paragraphs 12.8 and 12.9).</li> <li>(d) financial liabilities measured at fair value through profit or loss (paragraphs 12.8 and 12.9).</li> <li>(e) financial liabilities measured at amortised cost (paragraph 11.14(a)).</li> <li>(f) loan commitments measured at cost less impairment (paragraph</li> </ul>

Disclosures under full IFRSs	Potential Disclosures under Reduced Disclosure Regime
and (ii) those classified as held for trading in accordance with AASB 139; and (f) financial liabilities measured at amortised cost.	11.14(b)).
<p><b>Significance of Financial Instruments for Financial Position and Performance</b></p> <p>7 An entity shall disclose information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance.</p>	<p>11.42 An entity shall disclose information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance. For example, for long-term debt such information would normally include the terms and conditions of the debt instrument (such as interest rate, maturity, repayment schedule, and restrictions that the debt instrument imposes on the entity).</p>
<p><b>Financial assets or financial liabilities at fair value through profit or loss</b></p> <p>9 If the entity has designated a loan or receivable (or group of loans or receivables) as at fair value through profit or loss, it shall disclose:</p> <ul style="list-style-type: none"> <li>(a) the maximum exposure to <i>credit risk</i> (see paragraph 36(a)) of the loan or receivable (or group of loans or receivables) at the reporting date;</li> <li>(b) the amount by which any related credit derivatives or similar instruments mitigate that maximum exposure to credit risk;</li> <li>(c) the amount of change, during the period and cumulatively, in the fair value of the loan or receivable (or group of loans or receivables) that is attributable to changes in the credit risk of the financial asset determined either:                         <ul style="list-style-type: none"> <li>(i) as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to <i>market risk</i>; or</li> <li>(ii) using an alternative method the entity believes more faithfully represents the amount of change in its fair value that is attributable to changes in the credit risk of the asset. Changes in market conditions that give rise to market risk include changes in an observed (benchmark) interest rate, commodity price, foreign exchange rate or index of prices or rates; and</li> </ul> </li> <li>(d) the amount of the change in the fair value of any related credit derivatives or similar instruments that has occurred during the period and cumulatively since the loan or receivable was</li> </ul>	<p>11.43 For all financial assets and financial liabilities measured at fair value, the entity shall disclose the basis for determining fair value, eg quoted market price in an active market or a valuation technique. When a valuation technique is used, the entity shall disclose the assumptions applied in determining fair value for each class of financial assets or financial liabilities. For example, if applicable, an entity discloses information about the assumptions relating to prepayment rates, rates of estimated credit losses, and interest rates or discount rates.</p>

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<p>designated.</p> <p>10 If the entity has designated a financial liability as at fair value through profit or loss in accordance with paragraph 9 of AASB 139, it shall disclose:</p> <ul style="list-style-type: none"> <li>(a) the amount of change, during the period and cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of that liability determined either:                             <ul style="list-style-type: none"> <li>(i) as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to market risk (see Appendix B, paragraph B4); or</li> <li>(ii) using an alternative method the entity believes more faithfully represents the amount of change in its fair value that is attributable to changes in the credit risk of the liability. Changes in market conditions that give rise to market risk include changes in a benchmark interest rate, the price of another entity's financial instrument, a commodity price, a foreign exchange rate or an index of prices or rates. For contracts that include a unit-linking feature, changes in market conditions include changes in the performance of the related internal or external investment fund; and</li> </ul> </li> <li>(b) the difference between the financial liability's carrying amount and the amount the entity would be contractually required to pay at maturity to the holder of the obligation.</li> </ul>	
<p>11 The entity shall disclose:</p> <ul style="list-style-type: none"> <li>(a) the methods used to comply with the requirements in paragraphs 9(c) and 10(a); and</li> <li>(b) if the entity believes that the disclosure it has given to comply with the requirements in paragraph 9(c) or 10(a) does not faithfully represent the change in the fair value of the financial asset or financial liability attributable to changes in its credit risk, the reasons for reaching this conclusion and the factors it believes are relevant.</li> </ul>	<p>11.44 If a reliable measure of fair value is no longer available for an equity instrument measured at fair value through profit or loss, the entity shall disclose that fact.</p>
<p><b>Reclassification</b></p> <p>12 If the entity has reclassified a financial asset (in accordance with paragraphs 51-54 of AASB 139) as one measured:</p> <ul style="list-style-type: none"> <li>(a) at cost or amortised cost, rather than at fair value; or</li> </ul>	

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<p>(b) at fair value, rather than at cost or amortised cost, it shall disclose the amount reclassified into and out of each category and the reason for that reclassification.</p> <p>12A If the entity has reclassified a financial asset out of the fair value through profit or loss category in accordance with paragraph 50B or 50D of AASB 139 or out of the available-for-sale category in accordance with paragraph 50E of AASB 139, it shall disclose:</p> <ul style="list-style-type: none"> <li>(a) the amount reclassified into and out of each category;</li> <li>(b) for each reporting period until derecognition, the carrying amounts and fair values of all financial assets that have been reclassified in the current and previous reporting periods;</li> <li>(c) if a financial asset was reclassified in accordance with paragraph 50B, the rare situation, and the facts and circumstances indicating that the situation was rare;</li> <li>(d) for the reporting period when the financial asset was reclassified, the fair value gain or loss on the financial asset recognised in profit or loss or other comprehensive income in that reporting period and in the previous reporting period;</li> <li>(e) for each reporting period following the reclassification (including the reporting period in which the financial asset was reclassified) until derecognition of the financial asset, the fair value gain or loss that would have been recognised in profit or loss or other comprehensive income if the financial asset had not been reclassified, and the gain, loss, income and expense recognised in profit or loss; and</li> <li>(f) the effective interest rate and estimated amounts of cash flows the entity expects to recover, as at the date of reclassification of the financial asset.</li> </ul>	
<p><b>Derecognition</b></p> <p>13 An entity may have transferred financial assets in such a way that part or all of the financial assets do not qualify for derecognition (see paragraphs 15-37 of AASB 139). The entity shall disclose for each class of such financial assets:</p> <ul style="list-style-type: none"> <li>(a) the nature of the assets;</li> <li>(b) the nature of the risks and rewards of ownership to which the entity remains exposed;</li> </ul>	<p><b>Derecognition</b></p> <p>11.45 If an entity has transferred financial assets to another party in a transaction that does not qualify for derecognition (see paragraphs 11.33–11.35), the entity shall disclose the following for each class of such financial assets:</p> <ul style="list-style-type: none"> <li>(a) the nature of the assets.</li> <li>(b) the nature of the risks and rewards of ownership to which the entity remains exposed.</li> <li>(c) the carrying amounts of the assets and of any associated liabilities that</li> </ul>

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(c) when the entity continues to recognise all of the assets, the carrying amounts of the assets and of the associated liabilities; and (d) when the entity continues to recognise the assets to the extent of its continuing involvement, the total carrying amount of the original assets, the amount of the assets that the entity continues to recognise, and the carrying amount of the associated liabilities.	the entity continues to recognise.
<b>Collateral</b> 14 An entity shall disclose: (a) the carrying amount of financial assets it has pledged as collateral for liabilities or contingent liabilities, including amounts that have been reclassified in accordance with paragraph 37(a) of AASB 139; and (b) the terms and conditions relating to its pledge.	<b>Collateral</b> 11.46 When an entity has pledged financial assets as collateral for liabilities or contingent liabilities, it shall disclose the following: (a) the carrying amount of the financial assets pledged as collateral. (b) the terms and conditions relating to its pledge.
15 When an entity holds collateral (of financial or non-financial assets) and is permitted to sell or repledge the collateral in the absence of default by the owner of the collateral, it shall disclose: (a) the fair value of the collateral held; (b) the fair value of any such collateral sold or repledged, and whether the entity has an obligation to return it; and (c) the terms and conditions associated with its use of the collateral.	
<b>Allowance account for credit losses</b> 16 When financial assets are impaired by credit losses and the entity records the impairment in a separate account (e.g. an allowance account used to record individual impairments or a similar account used to record a collective impairment of assets) rather than directly reducing the carrying amount of the asset, it shall disclose a reconciliation of changes in that account during the period for each class of financial assets.	
<b>Compound financial instruments with multiple embedded derivatives</b> 17 If an entity has issued an instrument that contains both a liability and an equity component (see paragraph 28 of AASB 132) and the	

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instrument has multiple embedded derivatives whose values are interdependent (such as a callable convertible debt instrument), it shall disclose the existence of those features.	
<p><b>Defaults and breaches</b></p> <p>18 For <i>loans payable</i> recognised at the reporting date, an entity shall disclose:</p> <ul style="list-style-type: none"> <li>(a) details of any defaults during the period of principal, interest, sinking fund, or redemption terms of those loans payable;</li> <li>(b) the carrying amount of the loans payable in default at the reporting date; and</li> <li>(c) whether the default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were authorised for issue.</li> </ul>	<p><b>Defaults and breaches on loans payable</b></p> <p>11.47 For loans payable recognised at the reporting date for which there is a breach of terms or default of principal, interest, sinking fund, or redemption terms that has not been remedied by the reporting date, an entity shall disclose the following:</p> <ul style="list-style-type: none"> <li>(a) details of that breach or default.</li> <li>(b) the carrying amount of the related loans payable at the reporting date.</li> <li>(c) whether the breach or default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were authorised for issue.</li> </ul>
<p>19 If, during the period, there were breaches of loan agreement terms other than those described in paragraph 18, an entity shall disclose the same information as required by paragraph 18 if those breaches permitted the lender to demand accelerated repayment (unless the breaches were remedied, or the terms of the loan were renegotiated, on or before the reporting date).</p>	
<p><b>Statement of comprehensive income</b></p> <p><b>Items of income, expense, gains or losses</b></p> <p>20 An entity shall disclose the following items of income, expense, gains or losses either in the statement of comprehensive income or in the notes:</p> <ul style="list-style-type: none"> <li>(a) net gains or net losses on: <ul style="list-style-type: none"> <li>(i) financial assets or financial liabilities at fair value through profit or loss, showing separately those on financial assets or financial liabilities designated as such upon initial recognition, and those on financial assets or financial liabilities that are classified as held for trading in accordance with AASB 139;</li> <li>(ii) available-for-sale financial assets, showing separately the amount of gain or loss recognised in other comprehensive income during the period and the amount reclassified from equity to profit or loss for the period;</li> </ul> </li> </ul>	<p><b>Items of income, expense, gains or losses</b></p> <p>11.48 An entity shall disclose the following items of income, expense, gains or losses:</p> <ul style="list-style-type: none"> <li>(a) income, expense, gains or losses, including changes in fair value, recognised on: <ul style="list-style-type: none"> <li>(i) financial assets measured at fair value through profit or loss.</li> <li>(ii) financial liabilities measured at fair value through profit or loss.</li> <li>(iii) financial assets measured at amortised cost.</li> <li>(iv) financial liabilities measured at amortised cost.</li> </ul> </li> <li>(b) total interest income and total interest expense (calculated using the effective interest method) for financial assets or financial liabilities that are not measured at fair value through profit or loss.</li> <li>(c) the amount of any impairment loss for each class of financial asset.</li> </ul>

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<ul style="list-style-type: none"> <li>(iii) held-to-maturity investments;</li> <li>(iv) loans and receivables; and</li> <li>(v) financial liabilities measured at amortised cost;</li> <li>(b) total interest income and total interest expense (calculated using the effective interest method) for financial assets or financial liabilities that are not at fair value through profit or loss;</li> <li>(c) fee income and expense (other than amounts included in determining the effective interest rate) arising from:               <ul style="list-style-type: none"> <li>(i) financial assets or financial liabilities that are not at fair value through profit or loss; and</li> <li>(ii) trust and other fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans, and other institutions;</li> </ul> </li> <li>(d) interest income on impaired financial assets accrued in accordance with paragraph AG93 of AASB 139; and</li> <li>(e) the amount of any impairment loss for each class of financial asset.</li> </ul>	
<p><b>Hedge accounting</b></p> <p>22 An entity shall disclose the following separately for each type of hedge described in AASB 139 (i.e. fair value hedges, cash flow hedges, and hedges of net investments in foreign operations):</p> <ul style="list-style-type: none"> <li>(a) a description of each type of hedge;</li> <li>(b) a description of the financial instruments designated as hedging instruments and their fair values at the reporting date; and</li> <li>(c) the nature of the risks being hedged.</li> </ul>	<p>12.27 An entity shall disclose the following separately for hedges of each of the four types of risks described in paragraph 12.17:</p> <ul style="list-style-type: none"> <li>(a) a description of the hedge.</li> <li>(b) a description of the financial instruments designated as hedging instruments and their fair values at the reporting date.</li> <li>(c) the nature of the risks being hedged, including a description of the hedged item.</li> </ul>
<p>23 For cash flow hedges, an entity shall disclose:</p> <ul style="list-style-type: none"> <li>(a) the periods when the cash flows are expected to occur and when they are expected to affect profit or loss;</li> <li>(b) a description of any forecast transaction for which hedge accounting had previously been used, but which is no longer expected to occur;</li> <li>(c) the amount that was recognised in other comprehensive income during the period;</li> <li>(d) the amount that was reclassified from equity to profit or loss for the period, showing the amount included in each line item</li> </ul>	<p>12.29 If an entity uses hedge accounting for a hedge of variable interest rate risk, foreign exchange risk, commodity price risk in a firm commitment or highly probable forecast transaction, or a net investment in a foreign operation (paragraphs 12.23–12.25) it shall disclose the following:</p> <ul style="list-style-type: none"> <li>(a) the periods when the cash flows are expected to occur and when they are expected to affect profit or loss.</li> <li>(b) a description of any forecast transaction for which hedge accounting had previously been used, but which is no longer expected to occur.</li> <li>(c) the amount of the change in fair value of the hedging instrument that was recognised in other comprehensive income during the period</li> </ul>

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<p>(e) in the statement of comprehensive income; and the amount that was removed from equity during the period and included in the initial cost or other carrying amount of a non-financial asset or non-financial liability whose acquisition or incurrence was a hedged highly probable forecast transaction.</p>	<p>(d) (paragraph 12.23). the amount that was reclassified from other comprehensive income to profit or loss for the period (paragraphs 12.23 and 12.25).</p> <p>(e) the amount of any excess of the fair value of the hedging instrument over the change in the fair value of the expected cash flows that was recognised in profit or loss (paragraph 12.24).</p>
<p>24 An entity shall disclose separately:</p> <p>(a) in fair value hedges, gains or losses:</p> <p style="padding-left: 20px;">(i) on the hedging instrument; and</p> <p style="padding-left: 20px;">(ii) on the hedged item attributable to the hedged risk;</p> <p>(b) the ineffectiveness recognised in profit or loss that arises from cash flow hedges; and</p> <p>(c) the ineffectiveness recognised in profit or loss that arises from hedges of net investments in foreign operations.</p>	
	<p>12.28 If an entity uses hedge accounting for a hedge of fixed interest rate risk or commodity price risk of a commodity held (paragraphs 12.19–12.22) it shall disclose the following:</p> <p>(a) the amount of the change in fair value of the hedging instrument recognised in profit or loss.</p> <p>(b) the amount of the change in fair value of the hedged item recognised in profit or loss.</p>
<p><b>Fair value</b></p> <p>25 Except as set out in paragraph 29, for each class of financial assets and financial liabilities (see paragraph 6), an entity shall disclose the fair value of that class of assets and liabilities in a way that permits it to be compared with its carrying amount.</p> <p>26 In disclosing fair values, an entity shall group financial assets and financial liabilities into classes, but shall offset them only to the extent that their carrying amounts are offset in the statement of financial position.</p> <p>27 An entity shall disclose for each class of financial instruments the methods and, when a valuation technique is used, the assumptions applied in determining fair values of each class of financial assets or financial liabilities. For example, if applicable, an entity discloses information about the assumptions relating to prepayment rates, rates of estimated credit losses, and interest rates or discount rates. If there</p>	

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<p>has been a change in valuation technique, the entity shall disclose that change and the reasons for making it.</p> <p>27A To make the disclosures required by paragraph 27B an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:</p> <ul style="list-style-type: none"> <li>(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);</li> <li>(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and</li> <li>(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).</li> </ul> <p>The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.</p> <p>27B For fair value measurements recognised in the statement of financial position an entity shall disclose for each class of financial instruments:</p> <ul style="list-style-type: none"> <li>(a) the level in the fair value hierarchy into which the fair value measurements are categorised in their entirety, segregating fair value measurements in accordance with the levels defined in paragraph 27A.</li> <li>(b) any significant transfers between Level 1 and Level 2 of the fair value hierarchy and the reasons for those transfers. Transfers into each level shall be disclosed and discussed separately from transfers out of each level. For this purpose, significance shall be judged with respect to profit or loss, and total assets or total liabilities.</li> <li>(c) for fair value measurements in Level 3 of the fair value</li> </ul>	

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<p>hierarchy, a reconciliation from the beginning balances to the ending balances, disclosing separately changes during the period attributable to the following:</p> <ul style="list-style-type: none"> <li>(i) total gains or losses for the period recognised in profit or loss, and a description of where they are presented in the statement of comprehensive income or the separate income statement (if presented);</li> <li>(ii) total gains or losses recognised in other comprehensive income;</li> <li>(iii) purchases, sales, issues and settlements (each type of movement disclosed separately); and</li> <li>(iv) transfers into or out of Level 3 (e.g. transfers attributable to changes in the observability of market data) and the reasons for those transfers. For significant transfers, transfers into Level 3 shall be disclosed and discussed separately from transfers out of Level 3.</li> </ul> <p>(d) the amount of total gains or losses for the period in (c)(i) above included in profit or loss that are attributable to gains or losses relating to those assets and liabilities held at the end of the reporting period and a description of where those gains or losses are presented in the statement of comprehensive income or the separate income statement (if presented).</p> <p>(e) for fair value measurements in Level 3, if changing one or more of the inputs to reasonably possible alternative assumptions would change fair value significantly, the entity shall state that fact and disclose the effect of those changes. The entity shall disclose how the effect of a change to a reasonably possible alternative assumption was calculated. For this purpose, significance shall be judged with respect to profit or loss, and total assets or total liabilities, or, when changes in fair value are recognised in other comprehensive income, total equity.</p> <p>An entity shall present the quantitative disclosures required by this paragraph in tabular format unless another format is more appropriate.</p> <p>28 If the market for a financial instrument is not active, an entity establishes its fair value using a valuation technique (see paragraphs AG74-AG79 of AASB 139). Nevertheless, the best evidence of fair</p>	

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<p>value at initial recognition is the transaction price (i.e. the fair value of the consideration given or received), unless conditions described in paragraph AG76 of AASB 139 are met. It follows that there could be a difference between the fair value at initial recognition and the amount that would be determined at that date using the valuation technique. If such a difference exists, an entity shall disclose, by class of financial instrument:</p> <ul style="list-style-type: none"> <li>(a) its accounting policy for recognising that difference in profit or loss to reflect a change in factors (including time) that market participants would consider in setting a price (see paragraph AG76A of AASB 139); and</li> <li>(b) the aggregate difference yet to be recognised in profit or loss at the beginning and end of the period and a reconciliation of changes in the balance of this difference.</li> </ul> <p>29 Disclosures of fair value are not required:</p> <ul style="list-style-type: none"> <li>(a) when the carrying amount is a reasonable approximation of fair value, for example, for financial instruments such as short-term trade receivables and payables;</li> <li>(b) for an investment in equity instruments that do not have a quoted market price in an active market, or derivatives linked to such equity instruments, that is measured at cost in accordance with AASB 139 because its fair value cannot be measured reliably; or</li> <li>(c) for a contract containing a discretionary participation feature (as described in AASB 4) if the fair value of that feature cannot be measured reliably.</li> </ul> <p>30 In the cases described in paragraph 29(b) and (c), an entity shall disclose information to help users of the financial statements make their own judgements about the extent of possible differences between the carrying amount of those financial assets or financial liabilities and their fair value, including:</p> <ul style="list-style-type: none"> <li>(a) the fact that fair value information has not been disclosed for these instruments because their fair value cannot be measured reliably;</li> </ul>	

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<ul style="list-style-type: none"> <li>(b) a description of the financial instruments, their carrying amount, and an explanation of why fair value cannot be measured reliably;</li> <li>(c) information about the market for the instruments;</li> <li>(d) information about whether and how the entity intends to dispose of the financial instruments; and</li> <li>(e) if financial instruments whose fair value previously could not be reliably measured are derecognised, that fact, their carrying amount at the time of derecognition, and the amount of gain or loss recognised.</li> </ul>	
<p><b>Nature and Extent of Risks Arising from Financial Instruments</b></p> <p>31 An entity shall disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the reporting date.</p> <p>32 The disclosures required by paragraphs 33-42 focus on the risks that arise from financial instruments and how they have been managed. These risks typically include, but are not limited to, credit risk, <i>liquidity risk</i> and market risk.</p> <p><b>Qualitative disclosures</b></p> <p>33 For each type of risk arising from financial instruments, an entity shall disclose:</p> <ul style="list-style-type: none"> <li>(a) the exposures to risk and how they arise;</li> <li>(b) its objectives, policies and processes for managing the risk and the methods used to measure the risk; and</li> <li>(c) any changes in (a) or (b) from the previous period.</li> </ul> <p><b>Quantitative disclosures</b></p> <p>34 For each type of risk arising from financial instruments, an entity shall disclose:</p> <ul style="list-style-type: none"> <li>(a) summary quantitative data about its exposure to that risk at the reporting date. This disclosure shall be based on the information provided internally to key management personnel of the entity (as defined in AASB 124 <i>Related Party Disclosures</i>), for example the entity's board of directors or chief executive officer;</li> </ul>	

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<p>(b) the disclosures required by paragraphs 36-42, to the extent not provided in (a), unless the risk is not material (see paragraphs 29-31 of AASB 101 for a discussion of materiality); and</p> <p>(c) concentrations of risk if not apparent from (a) and (b).</p> <p>35 If the quantitative data disclosed as at the reporting date are unrepresentative of an entity's exposure to risk during the period, an entity shall provide further information that is representative.</p> <p><b>Credit risk</b></p> <p>36 An entity shall disclose by class of financial instrument:</p> <p>(a) the amount that best represents its maximum exposure to credit risk at the reporting date without taking account of any collateral held or other credit enhancements (e.g. netting agreements that do not qualify for offset in accordance with AASB 132);</p> <p>(b) in respect of the amount disclosed in (a), a description of collateral held as security and other credit enhancements;</p> <p>(c) information about the credit quality of financial assets that are neither <i>past due</i> nor impaired; and</p> <p>(d) the carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated.</p> <p><b>Financial assets that are either past due or impaired</b></p> <p>37 An entity shall disclose by class of financial asset:</p> <p>(a) an analysis of the age of financial assets that are past due as at the reporting date but not impaired;</p> <p>(b) an analysis of financial assets that are individually determined to be impaired as at the reporting date, including the factors the entity considered in determining that they are impaired; and</p> <p>(c) for the amounts disclosed in (a) and (b), a description of collateral held by the entity as security and other credit enhancements and, unless impracticable, an estimate of their fair value.</p> <p><b>Collateral and other credit enhancements obtained</b></p> <p>38 When an entity obtains financial or non-financial assets during the period by taking possession of collateral it holds as security or calling</p>	

Disclosures under full IFRSs	Potential Disclosures under Reduced Disclosure Regime
<p>on other credit enhancements (e.g. guarantees), and such assets meet the recognition criteria in other Australian Accounting Standards, an entity shall disclose:</p> <ul style="list-style-type: none"> <li>(a) the nature and carrying amount of the assets obtained; and</li> <li>(b) when the assets are not readily convertible into cash, its policies for disposing of such assets or for using them in its operations.</li> </ul> <p><b>Liquidity risk</b></p> <p>39 An entity shall disclose:</p> <ul style="list-style-type: none"> <li>(a) a maturity analysis for non-derivative financial liabilities (including issued financial guarantee contracts) that shows the remaining contractual maturities.</li> <li>(b) a maturity analysis for derivative financial liabilities. The maturity analysis shall include the remaining contractual maturities for those derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows (see paragraph B11B).</li> <li>(c) a description of how it manages the liquidity risk inherent in (a) and (b).</li> </ul> <p><b>Market risk</b></p> <p><i>Sensitivity analysis</i></p> <p>40 Unless an entity complies with paragraph 41, it shall disclose:</p> <ul style="list-style-type: none"> <li>(a) a sensitivity analysis for each type of market risk to which the entity is exposed at the reporting date, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date;</li> <li>(b) the methods and assumptions used in preparing the sensitivity analysis; and</li> <li>(c) changes from the previous period in the methods and assumptions used, and the reasons for such changes.</li> </ul> <p>41 If an entity prepares a sensitivity analysis, such as value-at-risk, that reflects interdependencies between risk variables (e.g. interest rates and exchange rates) and uses it to manage financial risks, it may use that sensitivity analysis in place of the analysis specified in paragraph 40. The entity shall also disclose:</p> <ul style="list-style-type: none"> <li>(a) an explanation of the method used in preparing such a</li> </ul>	

Disclosures under full IFRSs	Potential Disclosures under Reduced Disclosure Regime
<p>sensitivity analysis, and of the main parameters and assumptions underlying the data provided; and</p> <p>(b) an explanation of the objective of the method used and of limitations that may result in the information not fully reflecting the fair value of the assets and liabilities involved.</p> <p><b><i>Other market risk disclosures</i></b></p> <p>42 When the sensitivity analyses disclosed in accordance with paragraph 40 or 41 are unrepresentative of a risk inherent in a financial instrument (e.g. because the year-end exposure does not reflect the exposure during the year), the entity shall disclose that fact and the reason it believes the sensitivity analyses are unrepresentative.</p>	

## Appendix 6: Other Examples of Disclosures under the Reduced Disclosure Regime

The following are examples of disclosure that might be included in the reduced disclosure regime in relation to some full IFRS recognition and measurement accounting policy options that are not made available in the IFRS for SMEs or are simplified under that Standard. The potential disclosures under the reduced disclosure regime are determined using principles similar to those used by the IFRS for SMEs.

Topic and option	Full IFRS Disclosures	Potential Disclosures under the Reduced Disclosure Regime
<i>Borrowing Costs – Capitalisation Option</i>	<p><b>Disclosure</b></p> <p><b>26 An entity shall disclose:</b></p> <ul style="list-style-type: none"> <li>(a) the amount of borrowing costs capitalised during the period; and</li> <li>(b) the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation</li> </ul>	<p><b>Disclosure</b></p> <p><b>26 An entity shall disclose:</b></p> <ul style="list-style-type: none"> <li>(a) the amount of borrowing costs capitalised during the period; and</li> <li>(b) the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation</li> </ul>
<i>Property, Plant and Equipment – Revaluation Option</i>	<p><b>Disclosure</b></p> <p><b>73. The financial report shall disclose, for each class of property, plant and equipment:</b></p> <ul style="list-style-type: none"> <li>(a) the measurement bases used for determining the gross carrying amount;</li> <li>(b) the depreciation methods used;</li> <li>(c) the useful lives or the depreciation rates used;</li> <li>(d) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period; and</li> <li>(e) a reconciliation of the carrying amount at the beginning and</li> </ul>	<p><b>Disclosure</b></p> <ul style="list-style-type: none"> <li>(a) the depreciation methods used;</li> <li>(b) the useful lives or the depreciation rates used;</li> <li>(c) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period; and</li> <li>(d) a reconciliation of the carrying amount at the beginning and end of the period showing:                             <ul style="list-style-type: none"> <li>(i) additions;</li> <li>(ii) assets classified as held for sale or</li> </ul> </li> </ul>

Topic and option	Full IFRS Disclosures	Potential Disclosures under the Reduced Disclosure Regime
	<p>end of the period showing:</p> <ul style="list-style-type: none"> <li>(i) additions;</li> <li>(ii) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with AASB 5 and other disposals;</li> <li>(iii) acquisitions through business combinations;</li> <li>(iv) increases or decreases resulting from revaluations under paragraphs 31, 39, Aus39.1, 40, Aus40.1 and Aus40.2 and from impairment losses recognised or reversed directly in equity in accordance with AASB 136;</li> <li>(v) impairment losses recognised in profit or loss in accordance with AASB 136;</li> <li>(vi) impairment losses reversed in profit or loss in accordance with AASB 136;</li> <li>(vii) depreciation;</li> </ul>	<p>included in a disposal group classified as held for sale in accordance with AASB 5 and other disposals;</p> <ul style="list-style-type: none"> <li>(iii) acquisitions through business combinations;</li> <li>(iv) increases or decreases resulting from revaluations and from impairment losses recognised or reversed directly in equity in accordance with AASB 136;</li> <li>(v) impairment losses recognised in profit or loss in accordance with AASB 136;</li> <li>(vi) impairment losses reversed in profit or loss in accordance with AASB 136;</li> <li>(vii) depreciation;</li> <li>(viii) the net exchange differences arising on the translation of the financial statements from the functional currency into a different presentation currency, including the translation of a foreign operation into the presentation currency of the reporting entity; and</li> <li>(ix) other changes.</li> <li>(f) the existence and amounts of restrictions on title,</li> <li>(g) the amount of contractual commitments for the acquisition of property, plant and equipment; and</li> <li>(h) the effective date of the revaluation</li> <li>(i) the methods and significant assumptions applied in determining the fair value of property, plant</li> </ul>

Topic and option	Full IFRS Disclosures	Potential Disclosures under the Reduced Disclosure Regime
		<p>and equipment.</p> <p>(j) the revaluation reserve, indicating the change for the period and any restrictions on the distribution of the balance to shareholders.</p>
	<p>(viii) the net exchange differences arising on the translation of the financial statements from the functional currency into a different presentation currency, including the translation of a foreign operation into the presentation currency of the reporting entity; and</p> <p>(ix) other changes.</p> <p>74. The financial report shall also disclose:</p> <p>(a) the existence and amounts of restrictions on title, and property, plant and equipment pledged as security for liabilities;</p> <p>(b) the amount of expenditures recognised in the carrying amount of an item of property, plant and equipment in the course of its construction;</p> <p>(c) the amount of contractual commitments for the acquisition of property, plant and equipment; and</p> <p>(d) if it is not disclosed separately on the face of the income statement, the amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in profit or loss.</p> <p>75. Selection of the depreciation method and estimation of the useful life of assets are matters of judgement. Therefore, disclosure of the methods adopted and the estimated useful lives or depreciation rates provides users of the financial report with information that allows them to review the policies selected by management and enables comparisons to be made with other entities. For similar reasons, it is necessary to disclose:</p>	

Topic and option	Full IFRS Disclosures	Potential Disclosures under the Reduced Disclosure Regime
	<p>(a) depreciation, whether recognised in profit or loss or as a part of the cost of other assets, during a period; and</p> <p>(b) accumulated depreciation at the end of the period.</p> <p>76. In accordance with AASB 108 an entity discloses the nature and effect of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in subsequent periods. For property, plant and equipment, such disclosure may arise from changes in estimates with respect to:</p> <p>(a) residual values;</p> <p>(b) the estimated costs of dismantling, removing or restoring items of property, plant and equipment;</p> <p>(c) useful lives; and</p> <p>(d) depreciation methods.</p> <p><b>77. If items of property, plant and equipment are stated at revalued amounts, the following shall be disclosed:</b></p> <p>(a) <b>the effective date of the revaluation;</b></p> <p>(b) <b>whether an independent valuer was involved;</b></p> <p>(c) <b>the methods and significant assumptions applied in estimating the items' fair values;</b></p> <p>(d) <b>the extent to which the items' fair values were determined directly by reference to observable prices in an active market or recent market transactions on arm's length terms or were estimated using other valuation techniques;</b></p> <p>(e) <b>for each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model; and</b></p> <p>(f) <b>the revaluation reserve, indicating the change for the period and any restrictions on the distribution of the balance to</b></p>	

Topic and option	Full IFRS Disclosures	Potential Disclosures under the Reduced Disclosure Regime
	<p>shareholders.</p> <p><b>Aus77.1 Notwithstanding paragraph 77(e), in respect of not-for-profit entities, for each revalued class of property, plant and equipment, the requirement to disclose the carrying amount that would have been recognised had the assets been carried under the cost model does not apply.</b></p> <p>78. In accordance with AASB 136 an entity discloses information on impaired property, plant and equipment in addition to the information required by paragraph 73(e)(iv)-(vi).</p> <p>79. Users of the financial report may also find the following information relevant to their needs:</p> <ul style="list-style-type: none"> <li>(a) the carrying amount of temporarily idle property, plant and equipment;</li> <li>(b) the gross carrying amount of any fully depreciated property, plant and equipment that is still in use;</li> <li>(c) the carrying amount of property, plant and equipment retired from active use and not classified as held for sale in accordance with AASB 5; and</li> <li>(d) when the cost model is used, the fair value of property, plant and equipment when this is materially different from the carrying amount.</li> </ul> <p>Therefore, entities are encouraged to disclose these amounts.</p>	