Australian Government
Australian Accounting Standards Board

Memorandum

To:	**AASB members**	**Date:**	18 August 2015
From:	**Evelyn Ling**	**Agenda Item:**	9.1 (M147)
Subject:	**Cross-References in Financial Statements to Other Documents**	**Project Priority**	Medium
Project Status:	**Standard**	**Decision-Making:**	High

Actions

Decide whether to amend AASB 7 *Financial Instruments: Disclosures* (2005) to introduce references to the ability to cross-reference from the financial statements to another document in advance of annual reporting periods beginning on or after 1 January 2018.

Link to project summary

http://www.aasb.gov.au/admin/file/content102/c3/Removal_of_Cross-References_from_Financial_Statements_to_Other_Documents_Project_Summary.pdf

Overview

In February 2015, the Board decided to reinstate the ability to provide specified information by cross-reference permitted by IFRS 7 *Financial Instruments: Disclosures* paragraphs 21B, 35C and B6 into AASB 7 *Financial Instruments: Disclosures*. The paragraphs in question were introduced into IFRS as follows:

(a) paragraph B6 formed part of IFRS 7 when the IFRS was first issued in 2005;

(b) paragraph 21B was introduced into IFRS 7 in 2013 as part of the consequential amendments arising from IFRS 9 *Financial Instruments* (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39).

IFRS 9 (2013) applies to annual periods beginning on or after 1 January 2018. The ability of entities to early adopt IFRS 9 (2013) and similarly, the equivalent Australian pronouncements, is now restricted, as the IFRS 9 (2013), and similarly AASB 9 (2010), may only be early adopted where the date of initial application is before 1 February 2015; and

(c) paragraph 35C was introduced into IFRS 7 in 2014 as part of the consequential amendments arising from IFRS 9 *Financial Instruments* (2014), which applies to annual periods beginning on or after 1 January 2018.

The effective date of the amendments was not discussed at the time of making the Board decision. The Board has recently approved AASB 7 *Financial Instruments: Disclosures* (2015), which reflects this Board decision with effect for annual reporting periods beginning on or after 1 January 2018. AASB 7 (2015) incorporates all the consequential amendments arising from AASB 9.

The effect of incorporating the amendments into AASB 7 (2015) is that:

(a) the relief in paragraph B6 and the text in paragraph 21B permitting the cross-reference of information to another document is not available to entities independently of adopting AASB 9 *Financial Instruments* (2014); and

(b) the relief in paragraph 35C is available to entities when AASB 9 (2014) is adopted.

<u>Staff recommendation</u>

While ideally the relief should be made available for entities to adopt immediately, there are some costs to achieving this. Accordingly, staff do not recommend amending AASB 7 (2005) (superseded) to incorporate IFRS 7 paragraph B6, and the text of IFRS 7 paragraph 21B that had previously been omitted when making amendments to AASB 7 via AASB 2014-1. Staff think that there will only be a limited set of entities who might seek to take advantage of the relief, and accordingly that the costs of preparing an amending standard will be greater than the benefits of doing so given available staff resources.

Staff note that the application paragraphs of a standard amending AASB 7 (2005) would need to reflect the availability of paragraph B6 independent of any other amendments to AASB 7, but link the application of the additional text in paragraph 21B to the early adoption of AASB 9 (2013).

Questions to Board members:

Q1 Do Board members agree with the staff recommendation not to amend AASB 7 (2005) to reinsert IFRS 7 paragraph B6 and the text of IFRS 7 paragraph 21B?

Q2 If the Board disagrees with the staff recommendation in Q1, do Board members want the amending standard to apply to annual reporting periods beginning on or after 1 January 2016?