

Issues Paper – Consideration of Key Comments from Submissions

AASB ED 200A / FRSB ED 121

Proposals to Harmonise Australian and New Zealand Standards in Relation to Entities Applying IFRSs as Adopted in Australia and New Zealand

AASB ED 200B / FRSB ED 122

Proposed Separate Disclosure Standards

1. This issues paper considers key issues raised in the submissions on AASB ED 200A / FRSB ED 121 and AASB ED 200B / FRSB ED 122. A full analysis of all comments on some issues will be brought to the Boards at their separate meetings in December. This issues paper is organised in the following four sections with an appendix:
 - (a) Section 1: Location of Additional Disclosures
 - (b) Section 2: Joint Proposals
 - (c) Section 3: Australian-specific Proposals
 - (d) Section 4: New Zealand-specific Proposals
 - (e) Appendix: Wording of Relevant Proposals

Staff note that the majority of those who commented on AASB ED 200A/FRSB ED 121 and AASB ED 200B/FRSB ED 122 supported the high-level objective of harmonisation, however not all of the specific proposals in the exposure drafts were supported.

Section 1: Location of Additional Disclosures

2. The Boards sought constituents' views on whether the retained additional disclosures should be contained in a separate disclosure standard or within the relevant standard. Most Australian constituents expressed support for the additional disclosures being contained within the relevant standard (current practice). Most New Zealand constituents expressed support for the additional disclosures being contained in a separate standard (as proposed).
3. The main reasons supporting a separate disclosure standard as the location of additional disclosures are:
 - (a) the ease of identifying the remaining differences between:

- (i) Australian Accounting Standards and New Zealand Financial Reporting Standards; and
 - (ii) IFRSs; and
- (b) the added transparency of the extent of remaining differences which could encourage further harmonisation in due course.
4. The main concerns with a separate disclosure standard as the location of additional disclosures are:
- (a) the inefficiencies for preparers and auditors in locating all relevant disclosure requirements for a given topic;
 - (b) the disassociation of the disclosures and the relevant topic which may result in the additional disclosures being inadvertently overlooked; and
 - (c) absence of a ‘look and feel’ of being consistent with IFRSs. (Staff note that this could be addressed by formatting the final standard if considered useful.)
5. Staff comments: Given that there are mixed views on this issue of the location of additional disclosures, staff consider the Boards should proceed with the proposal to locate the additional disclosures in a separate standard.

6. Question for the Boards:

Do the Boards agree to proceed with the proposal to locate the additional disclosures in a separate standard?

Section 2: Joint Proposals

2.1 Audit Fees Disclosures

(Please refer to pages 16-17 of this paper for the wording of the proposals)

7. From Australian constituents, there are mixed views about the simplifications of the disclosures. While some supported the simplifications, others felt that the simplified disclosures would not allow users to determine whether the amounts paid will allow a proper audit and the consequent impact on auditor independence. Although supportive of the removal of separate disclosure of related practices, some constituents would like to see the notion of related practice incorporated in the disclosure requirements. There is concern that the removal of related practice disclosures would mean that significant

fees paid for work by legal entities other than the entity completing the audit would not be disclosed. Concerns about the need for related practice disclosures seem to be more prevalent in Australia than New Zealand.

- 8 Other concerns expressed are:
 - (a) ambiguity about whether disclosure covers the fees relating to the audit of current year financial statements or fees paid during the year for a prior year audit; and
 - (b) consistency with disclosures of transactions with auditors for non-audit services required by the *Corporations Act 2001*.

9. From New Zealand constituents, there is general disagreement with the disclosures proposed. The main concerns are: (a) the potential volume of disclosures given the disclosures are required for each auditor; and (b) the lack of informational benefit from disclosure of amounts paid to other auditors for work other than audit or review.

10. A common concern raised by constituents is confusion about whether disclosures related to the audit of the group financial statements include the audit fees for the audit of subsidiaries within the group. Many constituents have interpreted the disclosure requirements to be limited to the audit fees paid to the parent company auditors and have recommended that the disclosures cover the fees paid to the auditors of the subsidiaries. Accordingly, many constituents requested more clarification of the term 'auditor'.

11. Staff comments: While staff acknowledge the possible information usefulness of the notion of related practice in some circumstances, staff are of the view that the notion of related practice should not be included in the disclosures given the objective of trans-Tasman convergence. In relation to the confusion of whether the disclosures required of group financial statements include the audit of subsidiaries of the group, staff think that the proposed disclosures clearly indicate that the disclosures for the audit of group financial statements include the audit fees paid to the auditors of the parent company and the subsidiaries (as illustrated in the diagram displayed below). Accordingly, staff think that no changes are required to the wording of the disclosures proposed but consider that an illustrative example may be useful.

Disclosures required under proposed disclosures

	<i>Parent Disclosures</i>	<i>Subsidiary 1 Disclosures</i>	<i>Subsidiary 2 Disclosures</i>	<i>Group Disclosures</i>
Auditor A – Parent & Subsidiary 1	\$	\$		\$\$
Auditor B – Subsidiary 2			\$	\$
Other Services A – Parent & Subsidiary 1	\$	\$		\$\$
Other Services B – Subsidiary 2			\$	\$

12. Question for the Boards:

Do the Boards agree to proceed with the disclosure requirements for audit fees as proposed? Do the Boards wish to add an illustrative example?

2.2 Imputation Credit Disclosures

(Please refer to pages 18-20 of this paper for the wording of the proposals)

13. From Australian constituents, there is overall support for the proposed simplified disclosures. One Australian constituent raised the issue of the appropriateness of the term ‘imputation credits’ in the Australian environment, with a preference for the term ‘franking credits’, whilst another suggested separate disclosures for ‘Australian imputation credits’ and ‘all other foreign imputation credits’.
14. One respondent thinks the wording in paragraph 6.2 needs to be revised to explicitly state that the disclosure for imputation credits arises from transactions recognised up to balance date that are available in the future.
15. New Zealand respondents generally agreed with the proposed disclosures on the basis that they provide further clarification of the composition of imputation credits at reporting date and that the information is relevant to different classes of investors with different entitlements.
16. Staff comments: In relation to the Australian-specific concerns, staff are of the view that the term ‘imputation credits’ is appropriate in the Australian environment, given this term is used interchangeably with the term ‘franking credits’. Staff think that there

is no need to amend paragraph 6.2 as paragraph 6.3 provides adequate supporting explanation to make the necessary disclosures.

17. Question for the Boards:

Do the Boards agree to proceed with the disclosure requirements for imputation credits as proposed?

2.3 Reconciliation of Operating Cash Flows to Profit and Loss

(Please refer to page 20 of this paper for the wording of the proposals)

18. All of the constituents who provided a view on this issue objected to deleting the reconciliation of cash flows from operating activities to profit and loss. The common rationales for the retention of the reconciliation are:
- (a) the usefulness of the reconciliation; and
 - (b) that the IASB is likely to propose such a reconciliation in the Financial Statement Presentation project based on support from respondents to the 2008 IASB-FASB Discussion Paper *Preliminary Views on Financial Statement Presentation*. Respondents expressed strong support for retaining this requirement until the IASB concludes on this issue. The IFRS resulting from this project is delayed until after 30 June 2011.
19. Respondents noted that the reconciliation is useful in linking the Statement of Cash Flow to the Balance Sheet and assuring readers that the accruals and the Statement of Cash Flows articulate.
20. Staff comments: AASB staff and FRSB staff have mixed views on this issue. FRSB staff think that the Boards should proceed with their proposal to delete the requirement to meet the objective of alignment to IFRSs, especially given the deferral of the IASB project. AASB staff think that the consideration of this requirement should be deferred on the basis of constituent support, the likelihood that the IASB will propose a reconciliation disclosure in its Financial Statement Presentation Exposure Draft and that both Australian and New Zealand currently have the requirement. If members support the AASB staff view, consideration would need to be given to agreeing on a

proposed converged wording for the reconciliation disclosures (see pages 18-20) and the need for further exposure.

21. Question for the Boards:

Do the Boards agree to proceed with the proposal to delete the requirement to prepare a reconciliation of cash flows from operating activities to profit and loss?

Section 3: Australian-specific Issues

3.1 True and fair override – paragraphs 19-22 of AASB 101

(Please refer to pages 21-22 of this paper for the wording of the proposals)

22. Some respondents expressed concerns about the introduction of the true and fair override in paragraphs 19-22 of IAS 1 in AASB 101 *Presentation of Financial Statements*. The main concerns are the potential for abuse and the appropriateness of the footnote inserted. One respondent expressed concern about the introduction of the override on the basis that there is no compelling argument and there is significant potential for abuse. The concerns regarding the proposed footnote (which states that the true and fair override is not available to entities which prepare financial statements in accordance with the *Corporations Act 2001*) attached to paragraphs 19-22 relate mainly to the lack of consideration of other statutory reporting frameworks other than *Corporations Act 2001* which disallow true and fair override.
23. AASB staff comments: Although AASB staff share the constituents' concerns about the potential of abuse from the introduction of the true and fair override, AASB staff consider that this does not constitute sufficient grounds for diverging from the objective of alignment to IFRSs. AASB staff acknowledge that there may be reporting frameworks other than *Corporations Act 2001* that disallow an override. Accordingly, AASB staff agree that the footnote should be generalised to refer to this possibility to make a general reference to reporting frameworks that would not permit a true and fair override, and mention the *Corporations Act 2001* as an example.

24. Question for the AASB:

Does the AASB agree to proceed with the proposal to introduce the true and fair override and to 'generalise' the footnote?

3.2 Deletion of definition of ‘entity’ – paragraph Aus7.1 of AASB 101 *Presentation of Financial Statements*

(Please refer to page 22 of this paper for the wording of the proposal)

25. Pending the completion of various projects on the reporting entity concept, some respondents are of the view that the ‘entity’ definition should be retained for the time being because references to reporting entity are still present in application paragraphs in Australian Accounting Standards.
26. AASB Staff comments: AASB staff are of the view that the arguments presented by constituents are not sufficient to cause the AASB to divert from its proposal to delete the definition in order to align with IFRSs. AASB staff note that the definition remains in SAC 1 *Definition of the Reporting Entity*, which will be reconsidered in the context of Phase 2 of the Differential Reporting project. Accordingly, AASB staff think that the AASB should proceed with the proposal to delete the definition of ‘entity’ for alignment with IFRSs and New Zealand Financial Reporting Standards.

27. Question for the AASB:

Does the AASB agree to proceed with the proposal to delete the definition of ‘entity’?

3.3 Retrospective application – Recognition of an elimination of an unrealised gain or loss – paragraph Aus7.1 of AASB Interpretation 113 *Jointly Controlled Entities – Non-monetary Contributions by Venturers*

(Please refer to page 22 of this paper for the wording of the proposal)

28. Of the four respondents who expressed a view on this issue, three expressed support for the retrospective application in the case when the deletion of paragraph Aus7.1 results in a change of accounting policy. The remaining respondent expressed support for prospective application.
29. AASB Staff comments: AASB staff consider that removing paragraph Aus7.1 should have no impact on whether an entity complies with IFRSs. Accordingly, an entity changing its accounting policy in relation to non-monetary contributions would be doing so voluntarily and AASB 108 *Accounting Policies, Changes in Accounting*

Estimates and Errors should apply. Therefore, it is suggested that the AASB refer to AASB 108 in respect of voluntary changes in accounting policy rather than provide a statement that requires retrospective or prospective application.

30. Question for the AASB:

Does the AASB agree to proceed with the proposal to require retrospective application of paragraph Aus7.1 of Interpretation 113 in the context of AASB 108 ?

3.4 Key Management Personnel of Managed Investment Schemes – paragraphs Aus25.2-Aus25.6, Aus25.7.1 and Aus25.7.2 of AASB 124 *Related Party Disclosures*

31. Although not a harmonisation issue, the AASB sought constituents' views on the retention of the disclosure requirements related to compensation of individual key management personnel (KMP) of managed investment schemes that are disclosing entities in AASB 124.
32. All the respondents who provided a view on this issue supported the deletion of the disclosure requirements. The most common reasons given are:
- (a) various locations of KMP disclosure requirements resulting in duplication and potential inconsistent disclosures (KMP disclosures requirements are currently included in : (i) *Corporations Act 2001*; (ii) *Corporations Regulations 2001*; and (iii) AASB 124) ; and
 - (b) this is a corporate governance issue that should be dealt with through legislation.
33. On a number of occasions, the AASB has expressed its preference to eliminate the individual KMP disclosure requirements from standards aligned with IFRSs, given the governance nature of KMP disclosures. The following comments are a reminder of the status of matters regarding individual KMP disclosures.
34. The individual KMP disclosures relating to compensation have been included in the *Corporations Act 2001* in respect of companies. Accordingly, paragraphs Aus29.2 to Aus29.6 and Aus29.7.1 & Aus29.7.2 only apply to disclosing entities that are not companies, such as disclosing entities that are managed investment schemes. The Aus

paragraphs relating to individual KMP disclosures other than those relating to compensation (equity holdings and loans) apply to all disclosing entities.

35. One of the key barriers to having the law deal with managed investment scheme KMP disclosures is the issue of whether a KMP can be an entity. Because managed investment schemes generally do not have employees and have responsible entities managing their affairs, the issue concerns whether disclosure of the fees to responsible entities satisfies the KMP compensation disclosure requirements, or whether there is a need to look through the responsible entity to compensate individuals. The Treasury has been reluctant to extend the application of the Corporations law compensation disclosures until the issue is addressed, and has requested that the Board not remove the disclosure requirements until the issue is resolved.
36. Through the National Standard Setters forum, the AASB and the FRSB have managed to have the issue regarding KMP and whether they must be people or can be entities referred to the IASB. The IFRS Interpretations Committee agreed the following in September 2010.

The Committee received a request asking whether key management personnel (KMP), as defined in IAS 24 *Related Party Disclosures*, can include an entity as opposed to individuals. The issue arises specifically when a reporting entity hires key management services from a separate management entity. A second question raised is whether the reporting entity should disclose the remuneration paid by the management entity to the individuals providing the KMP services for the reporting entity, or the service fees paid by the reporting entity to the management entity for the KMP services.

The Committee recommends that the Board should amend, within Annual Improvements, the definition of a related party in IAS 24 to clarify that a management entity that provides KMP services to a reporting entity is deemed to be identified as the relevant related party in respect of those KMP services. Consequently, the service fees paid by the reporting entity to the management entity would be disclosed. The Committee also recommends that the individuals who are employees or directors of the management entity and are acting as KMP of the reporting entity should not be identified as a related party (unless they qualify as related parties for other reasons). The revised definition would apply to the management entity's parent, its subsidiaries and its fellow subsidiaries.

37. If the IASB were to resolve this matter through the 2011 Improvements process, the remaining issue would be the individual KMP disclosures required by AASB 124 other than those relating to compensation (mainly loans and equity holdings), which are not

currently addressed in the Corporations Law for either companies or managed investment schemes.

38. The Corporations and Markets Advisory Committee (CAMAC) is currently reviewing the requirements surrounding the disclosure of executive remuneration and it is recommended that the AASB liaise with the CAMAC to inform it of the likely developments in this area regarding AASB 124 and have CAMAC broaden its considerations to include year-end disclosures about KMP loans and equity holdings.
39. AASB staff comments: The responses confirm that constituents want the individual KMP disclosure requirements removed from AASB 124. AASB staff recommend following up with the IASB to help ensure the IFRS Interpretations Committee recommendation is implemented and liaising with the CAMAC on moving these individual KMP disclosures into the law if the government decides that they should be retained.

40. Question for the AASB:

Does the AASB agree to AASB staff liaising with the IASB and the CAMAC regarding individual KMP disclosures?

Section 4: New Zealand-specific Issues

41. The items discussed in this section of the memo are those that are not discussed elsewhere in this Paper and that:
- (a) the FRSB specifically highlighted in the introduction to ED 121 as items that may be of interest to constituents;
 - (b) received the most feedback; or
 - (c) may be of interest to the FRSB because of the nature of the feedback .
42. The section below provides a summary of the key themes from the responses from constituents. FRSB staff do not consider that constituents have raised sufficiently critical concerns to over-ride the objective of harmonisation with IFRSs and with Australian Accounting Standards Therefore, the FRSB staff consider that the proposals in ED 121 and ED 122 should be proceeded with.

43. FRSB staff are seeking the FRSB's preliminary views as a basis for progressing the project.

NZ IAS 1 *Presentation of Financial Statements*

44. Proposal to relocate the regulatory guidance relating to the Financial Reporting Act true and fair over-ride to a footnote within NZ IAS 1.
45. Key themes from the comments received:
- (a) Mixed views on the proposal to relocate the guidance to a footnote.
 - (b) The proposal will ensure that the standard is in line with IFRS but still retain important information.

46. *Does the FRSB have any comments on the key themes above?*

NZ IAS 7 *Statement of Cash Flows*

47. Proposal to include the indirect method of reporting cash flows from operating activities. Note the views of Australian constituents in Section 2.3 of this memo.
48. Key themes from the comments received:
- (a) Some constituents noted that the forthcoming IASB exposure draft on financial statement presentation will propose the mandatory use of the direct method.
 - (b) The direct method provides useful information that assists users to predict the future cash flows of the entity.
 - (c) The IASB and the FASB prefer the direct method.
 - (d) The FRSB should work to convince the AASB to harmonise with the New Zealand requirements.

49. *Does the FRSB have any comments on the key themes above?*

NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

50. Proposal to delete the additional requirement to disclosure changes in significant accounting policies within the summary of significant accounting policies (paragraph NZ 31.1).
51. Key themes from the comments received:
- (a) Paragraphs 28 and 29 of IAS 8 address this issue and paragraph NZ 31.1 is unnecessary.
 - (b) This proposal to remove paragraph NZ 31.1 promotes consistency and should be applied in both jurisdictions.

52. *Does the FRSB have any comments on the key themes above?*

NZ IAS 12 *Income Taxes*

53. Proposal to delete the definitions relating to NZ tax terms (imputation credits and withholding credits). Note the views of Australian constituents in Section 2.2 of this memo.
54. Key themes from the comments received:
- (a) General support for the removal of the definitions relating to NZ tax terms from NZ IAS 12.
 - (b) Views were mixed regarding relocation to the proposed separate disclosures standard. For example it was suggested by one respondent that this item should be located within the relevant standard.
 - (c) The proposals should provide further clarification on the components of imputation credits available at the reporting date.
 - (d) The requirement to disclose different classes of investors with different entitlements is onerous but will provide useful information.

55. *Does the FRSB have any comments on the key themes above?*

NZ IAS 16 *Property, Plant and Equipment*
NZ IAS 40 *Investment Property*

56. Proposal to delete the guidance relating to using the cost model for investment properties under certain circumstances. Many respondents included their comments on this item in their response to the proposed modifications to NZ IAS 40, because these items are interrelated. Refer to paragraph 70- below to see the discussion.
57. Proposal to delete the disclosures relating to independent valuation.
58. Key themes from the comments received:
- (a) The removal of this requirement may result in lower quality financial information because:
 - (i) The fundamental characteristic of faithful representation and the enhancing qualitative characteristic of comparability may be affected
 - (ii) Users may perceive the information as being of lesser quality.
 - (b) Obtaining an independent valuation is one way to achieve the relevance of reporting fair value and increasing the information's reliability.
 - (c) The requirement to use a valuer should not be mandatory if the appropriate in house expertise is available to the entity.
 - (d) Some respondents agreed with the proposal on the basis that it would align with IFRS and AIFRS.
 - (e) An entity fair valuing PP&E will still have to support such valuations with evidence. Consequently this proposal may only reduce disclosures.

59. <i>Does the FRSB have any comments on the key themes above?</i>

NZ IAS 34 *Interim Financial Reporting*

60. Proposal to partially amend paragraph 1 to align with IFRSs by including the IASC's recommendations on frequency and timing.
61. Key themes from the comments received:
- (a) Majority of the respondents agreed with the proposal to amend the scope.

- (b) NZX listing rules require interim reports to be available 90 days after the period. The revised wording encourages interim reports to be made available within 60 days, consequently which may create a conflict.

62. Does the FRSB have any comments on the key themes above?

NZ IAS 40 Investment Property

- 63. Proposal to include the option to account for investment property using either the cost model of the fair value model

- 64. Key themes from the comments received:
 - (a) Large trusts (such as Charitable Trusts) and retirement villages that do not qualify for differential reporting would benefit from the ability to use the cost model, where the costs associated with obtaining valuations outweigh the benefits
 - (b) Constituents recognised that constraints on changes in accounting policies would limit the ability of an entity to switch from fair value to cost and that the change will not result in a significant impact on current financial reporting in New Zealand. Concerns were raised that the introduction of paragraph 31 places a high burden on operators wishing to change to the cost model for benefit reasons.
 - (c) The FASB intends to issue an ED in Q4 2010 proposing that all entities should use fair value for investment property. Staff are not aware of plans by the IASB to follow the FASB.
 - (d) Fair value provides more relevant information for users of financial statements than cost.
 - (e) One constituent supported the proposals because of the potential benefits of harmonisation.

65. Does the FRSB have any comments on the key themes above?

- 66. Proposal to delete the requirement for disclosures relating to valuation of investment property

67. Key themes from the comments received:
- (a) The view that this proposal would not result in improved financial reporting
 - (b) One respondent noted that ‘although it is likely that in practice independent valuers will continue to be used in many cases, we see no reason why this should be a mandatory requirement’.
 - (c) Fair values may still be required to support the valuation of certain items and the proposed change may have little impact on practice
 - (d) Some agree with this proposal to achieve alignment with IFRS.

68. *Does the FRSB have any comments on the key themes above?*

69. *Are there any other matters not discussed above that the FRSB would like to raise, in respect of the comments received for ED 121 and ED 122?*

Appendix

Wording of Relevant Proposals

2.1 Audit Fees Disclosures

AASB 101 Presentation of Financial Statements

An entity, other than a group, shall disclose the amounts paid or payable to:

- (a) ~~the auditor of the entity for an audit or a review of the financial statements of the entity;~~
- (b) ~~the auditor of the entity for non-audit services in relation to the entity, disclosing separately the nature and amount of each of the non-audit services provided by the auditor; and~~
- (c) ~~a related practice of the auditor for non-audit services in relation to the entity, disclosing separately the nature and amount of each category of non-audit service.~~

The following information shall be disclosed in relation to a group, the amounts paid or payable to:

- (a) ~~the auditor of the parent of the group, for an audit or a review of the financial statements of any entity in the group;~~
- (b) ~~the auditor of the parent of the group, for non-audit services in relation to any entity in the group, disclosing separately the nature and amount of each of the non-audit services provided by the auditor;~~
- (c) ~~a related practice of the auditor of the parent of the group, for non-audit services in relation to any entity in the group, disclosing separately the nature and amount of each of the non-audit services provided by the auditor;~~
- (d) ~~the auditors of the subsidiaries in the group, other than those disclosed in accordance with paragraph Aus126.2(a), for an audit or a review of the financial statements of those subsidiaries;~~
- (e) ~~the auditors of the subsidiaries in the group, other than those disclosed in accordance with paragraphs Aus126.2(b) and (c), for non-audit services in relation to any entity in the group, disclosing separately the nature and amount of each of the non-audit services provided by the auditor; and~~
- (f) ~~a related practice of the auditors of the subsidiaries in the group, other than those disclosed in accordance with paragraphs Aus126.2(b) and (c), for non-audit services in relation to any entity in the group, disclosing separately the nature and amount of each of the non-audit services provided by the auditor.~~

[Source: AASB 101 paragraphs Aus138.1 and Aus 138.2]

- 5 An entity shall disclose in the notes fees to auditors (each auditor if more than one) paid or payable:
- (a) for the audit or review of the financial statements; and
 - (b) for all other services performed during the reporting period. An entity shall describe the nature of other services comprising the fees disclosed under this category.

Harmonisation

NZ IAS 1 *Presentation of Financial Statements*

~~An entity shall disclose, either on the face of the income statement or in the notes, fees to auditors, disclosing separately fees to:~~

- ~~(a) each (if more than one) auditor of the parent entity for:
 - ~~(i) audit fees being fees for the audit of the financial statements;~~
 - ~~(ii) audit related fees being fees for assurance and related services that are reasonably related to the performance of the audit or review of the financial statements and are not reported under paragraph (a)(i). An entity shall describe the nature of the services comprising the fees disclosed under this category;~~
 - ~~(iii) tax fees being fees for tax compliance, tax advice, and tax planning services. An entity shall describe the nature of all services comprising the fees disclosed under this category; and~~
 - ~~(iv) all other fees being fees for services other than those reported in paragraphs (a)(i) through (a)(iii). An entity shall describe the nature of the services comprising the fees disclosed under this category; and~~~~
- ~~(b) any other auditors(s) of entities in the group (not including the parent entity) for audit fees being fees for the audit of financial statements.~~

Harmonisation

[Source: NZ IAS 1 paragraph NZ 105.1]

- 5 An entity shall disclose in the notes fees to auditors (each auditor if more than one) paid or payable:
- (a) for the audit or review of the financial statements; and
 - (b) for all other services performed during the reporting period. An entity shall describe the nature of other services comprising the fees disclosed under this category.

Harmonisation

2.2 Imputation Credits Disclosures

AASB 101 *Presentation of Financial Statements*

~~An entity shall disclose for each class of shares included in equity, where either dividends payable were first recognised as a liability during the reporting period or dividends were paid during the reporting period without previously being recognised as a liability:~~

- ~~(a) the amount, in aggregate and per share, of those dividends that have been or will be franked and the tax rate at which those dividends have been or will be franked; and~~
- ~~(b) the amount, in aggregate and per share, of those dividends that have not been or will not be franked.~~

~~An entity shall disclose the amount of franking credits available for subsequent reporting periods to the equity holders in the entity if it is not a group or the parent in a group, by disclosing the balance of the franking account as at the reporting date, adjusted for:~~

- ~~(a) franking credits that will arise from the payment of the amount of the provision for income tax;~~
- ~~(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and~~
- ~~(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.~~

~~An entity shall disclose the impact on the franking account of dividends proposed or declared before the financial statements were authorised for issue but not recognised as a distribution to equity holders during the period.~~

[Source: AASB 101 paragraphs Aus138.3, Aus 138.4 and Aus138.5]

- 6.1 The term ‘imputation credits’ is used in paragraphs 6.2 and 6.4 to also mean ‘franking credits’. The disclosures required by paragraphs 6.2 and 6.4 shall be made separately in respect of any New Zealand imputation credits and any Australian imputation credits.
- 6.2 An entity shall disclose the amount of imputation credits available for use in subsequent reporting periods.

- 6.3 For the purposes of determining the amount required to be disclosed in accordance with paragraph 6.2, entities may have:
- (a) imputation credits that will arise from the payment of the amount of the provision for income tax;
 - (b) imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
 - (c) imputation credits that will arise from the receipt of dividends recognised as receivables at the reporting date.
- 6.4 Where there are different classes of investors with different entitlements to imputation credits, disclosures shall be made about the nature of those entitlements for each class where this is relevant to an understanding of them.

Harmonisation

NZ IAS 12 *Income taxes*

~~With regard to imputation credits and dividend withholding payment credits available to shareholders the following shall be disclosed:~~

- ~~(a) the movements during the period in the Imputation Credit Account and Dividend Withholding Payments Account of the parent company; and~~
- ~~(b) the credits available to the shareholders of the parent company at the end of the reporting period:~~
 - ~~(i) through their shareholdings in that parent company; and, separately~~
 - ~~(ii) through their indirect interests in subsidiaries.~~

[Source: NZ IAS 12 paragraph NZ 81.1]

Harmonisation

- 7.1 The term ‘imputation credits’ is used in paragraphs 7.2 and 7.4 to also mean ‘franking credits’. The disclosures required by paragraphs 7.2 and 7.4 shall be made separately in respect of any New Zealand imputation credits and any Australian imputation credits.
- 7.2 An entity shall disclose the amount of imputation credits available for use in subsequent reporting periods.

Harmonisation

- 7.3 For the purposes of determining the amount required to be disclosed in accordance with paragraph 7.2, entities may have:
- (a) imputation credits that will arise from the payment of the amount of the provision for income tax;
 - (b) imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
 - (c) imputation credits that will arise from the receipt of dividends recognised as receivables at the reporting date.
- 7.4 Where there are different classes of investors with different entitlements to imputation credits, disclosures shall be made about the nature of those entitlements for each class where this is relevant to an understanding of them.

Harmonisation

2.3 Reconciliation of Operating Cash Flows to Profit and Loss

AASB 107 Statement of Cash Flows

~~Aus20.1 When an entity uses the direct method, a reconciliation of cash flows arising from operating activities to profit or loss shall be disclosed in the complete set of financial statements.~~

Deletion

NZ IAS7 Statement of Cash Flows

~~NZ 20.1 The financial statements shall provide a reconciliation of the profit (loss) with the net cash flow from operating activities.~~

~~NZ 20.2 The adjustments in the reconciliation may be grouped as follows:~~

- ~~(a) non cash items included in profit (loss); for example, depreciation;~~
- ~~(b) any deferrals or accruals of past or future operating cash receipts or payments; for example, changes in accounts receivable and in accounts payable;~~
- ~~(c) revenue and expense items classified as investing or financing activities in the statement of cash flows; for example, the cash flow from the sale of plant may be presented as an investing cash flow but the gain or loss on the sale will be included in the determination of profit (loss); and~~
- ~~(d) other adjustments appropriately described.~~

Deletion

3.1 True and fair override

AASB 101 *Presentation of Financial Statements*

- 17 In virtually all circumstances, an entity achieves a fair presentation by compliance with applicable full IFRSs as adopted in Australia or the Reduced Disclosure Requirements. A fair presentation also requires an entity:
- (a) to select and apply accounting policies in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. AASB 108 sets out a hierarchy of authoritative guidance that management considers in the absence of an Australian Accounting Standard that specifically applies to an item;
 - (b) to present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
 - (c) to provide additional disclosures when compliance with the specific requirements in Australian Accounting Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

19* **In the extremely rare circumstances in which management concludes that compliance with a requirement in an Australian Accounting Standard would be so misleading that it would conflict with the objective of financial statements set out in the *Framework*, the entity shall depart from that requirement in the manner set out in paragraph 20 if the relevant regulatory framework requires, or otherwise does not prohibit, such a departure.**

- 20*** **When an entity departs from a requirement of an Australian Accounting Standard in accordance with paragraph 19, it shall disclose:**
- (a) that management has concluded that the financial statements present fairly the entity's financial position, financial performance and cash flows;**
 - (b) that it has complied with applicable full IFRSs as adopted in Australia or the Reduced Disclosure Requirements, except that it has departed from a particular requirement to achieve a fair presentation;**
 - (c) the title of the Australian Accounting Standard from which the entity has departed, the nature of the departure, including the treatment that the Australian Accounting Standard would require, the reason why that treatment would be so misleading in the circumstances that it would conflict with the objective of financial statements set out in the *Framework*, and the treatment adopted; and**
 - (d) for each period presented, the financial effect of the departure on each item in the financial statements that would have been reported in complying with the requirement.**

Alignment

Alignment

21* When an entity has departed from a requirement of an Australian Accounting Standard in a prior period, and that departure affects the amounts recognised in the financial statements for the current period, it shall make the disclosures set out in paragraph 20(c) and (d).

22* Paragraph 21 applies, for example, when an entity departed in a prior period from a requirement in an Australian Accounting Standard for the measurement of assets or liabilities and that departure affects the measurement of changes in assets and liabilities recognised in the current period's financial statements.

^{*} Entities required to prepare financial statements in accordance with the *Corporations Act 2001* must apply the applicable accounting standards as the true and fair over-ride is not available to these entities.

Alignment

3.2 Deletion of definition of 'entity'

AASB 101 *Presentation of Financial Statements*

~~Aus7.1 The following terms are also used in this Standard with the meanings specified.~~

~~*Entity means any legal, administrative, or fiduciary arrangement, organisational structure or other party (including a person) having the capacity to deploy scarce resources in order to achieve objectives.*~~

Deletion

3.3 Retrospective application – Recognition of an elimination of an unrealised gain or loss

AASB Interpretation 113 *Jointly Controlled Entities – Non-monetary Contributions by Venturers*

~~Aus7.1 Where a venturer has recognised a gain or loss in profit or loss under paragraph 5 or 6, the amount of the unrealised gain or loss that has been eliminated shall be recognised by the venturer as it is realised by the JCE (as the contributed assets are consumed or sold) or, if not already realised by the JCE, when the venturer disposes of its investment in the JCE.~~

Deletion