ACCOUNTING STANDARD **AASB 101**

July 2004

Presentation of Financial Statements

Australian Government

Australian Accounting Standards Board

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BASIS FOR CONCLUSIONS ON IAS 1
(available to AASB online subscribers or through the IASB)

Australian Accounting Standard AASB 101 *Presentation of Financial Statements* is set out in paragraphs 1 – Aus126.7 and the Appendix. All the paragraphs have equal authority. Terms defined in this Standard are in *italics* the first time they appear in the Standard. AASB 101 is to be read in the context of other Australian Accounting Standards, including AASB 1048 *Interpretation and Application of Standards*, which identifies the UIG Interpretations. In the absence of explicit guidance, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies.

PREFACE

Reasons for Issuing AASB 101

The Australian Accounting Standards Board (AASB) is implementing the Financial Reporting Council's policy of adopting the Standards of the International Accounting Standards Board (IASB) for application to reporting periods beginning on or after 1 January 2005. The AASB has decided it will continue to issue sector-neutral Standards, that is, Standards applicable to both for-profit and not-for-profit entities, including public sector entities. Except for Standards that are specific to the not-for-profit or public sectors or that are of a purely domestic nature, the AASB is using the IASB Standards as the "foundation" Standards to which it adds material detailing the scope and applicability of a Standard in the Australian environment. Additions are made, where necessary, to broaden the content to cover sectors not addressed by an IASB Standard and domestic, regulatory or other issues.

The IASB defines International Financial Reporting Standards (IFRSs) as comprising:

(a) International Financial Reporting Standards;

(b) International Accounting Standards; and

(c) Interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).

The Australian equivalents to IFRSs are:

(a) Accounting Standards issued by the AASB that are equivalent to Standards issued by the IASB, being AASBs 1 – 99 corresponding to the IFRS series and AASBs 101 – 199 corresponding to the IAS series; and

(b) UIG Interpretations issued by the AASB corresponding to the Interpretations adopted by the IASB, as listed in AASB 1048 *Interpretation and Application of Standards*.

Main Features of this Standard

Application Date

This Standard is applicable to annual reporting periods beginning on or after 1 January 2005. To promote comparability among the financial reports of Australian entities, early adoption of this Standard is not permitted.

First-time Application and Comparatives

Application of this Standard will begin in the first annual reporting period beginning on or after 1 January 2005 in the context of adopting all Australian equivalents to IFRSs. The requirements of AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, the Australian equivalent of IFRS 1 *First-time Adoption of International Financial Reporting Standards*, must be observed. AASB 1 requires prior period information, presented as comparative information, to be restated as if the requirements of this Standard had always applied. This differs from previous Australian requirements where changes in accounting policies did not require the restatement of the income statement and balance sheet of the preceding period. However, the AASB has sometimes required reclassification of comparative information in respect of disclosure Standards.

Main Requirements

The Standard prescribes:

(a) the components of a financial report:

- (i) a balance sheet;
- (ii) an income statement;
- (iii) a cash flow statement (AASB 107 *Cash Flow Statements* sets out the details);
- (iv) a statement of changes in equity;
- (v) notes, comprising a summary of significant accounting policies and other explanatory notes;

(b) the overall considerations that an entity should make in presenting financial reports:

(i) fair presentation and compliance with Australian Accounting Standards;

(ii) accounting policies;

(iii) going concern;

(iv) accrual basis of accounting;

(v) consistency of presentation;

(vi) materiality and aggregation;

(vii) offsetting;

(viii) comparative information;

(c) the classification of items in the financial statements; and

(d) a range of disclosures about financial position and financial performance.

Differences between this Standard and AASB 1001, AASB 1018, AASB 1034 & AASB 1040

The primary differences between this Standard and the AASB Standards that it supersedes, AASB 1001 *Accounting Policies*, AASB 1018 *Statement of Financial Performance*, AASB 1034 *Financial Report Presentation and Disclosures* and AASB 1040 *Statement of Financial Position* are: (i) the current/non-current classification of borrowings; and (ii) this Standard specifically prohibits an entity from presenting any items of income and expense as extraordinary items, either on the face of the income statement or in the notes.

A more detailed description of the differences between this Standard and AASB 1001, AASB 1018, AASB 1034 & AASB 1040 accompanies this Standard under the heading "Differences between AASB 101 and AASB 1001, AASB 1018, AASB 1034 & AASB 1040".

The requirements of the superseded AASB 1001, AASB 1034 and AASB 1040 are essentially the same as AAS 6 *Accounting Policies*, AAS 36 *Statement of Financial Position* and AAS 37 *Financial Report Presentation and Disclosures*. Accordingly, there is no separate analysis of the differences between AASB 101 and AAS 6, AAS 36 & AAS 37.

COMPARISON WITH INTERNATIONAL PRONOUNCEMENTS

AASB 101 and IAS 1

AASB 101 is equivalent to IAS 1 *Presentation of Financial Statements* issued by the IASB. Paragraphs that have been added to this Standard (and do not appear in the text of the equivalent IASB standard) are identified with the prefix "Aus", followed by the number of the relevant IASB paragraph and decimal numbering.

Compliance with IAS 1

Entities that comply with AASB 101 will simultaneously be in compliance with IAS 1.

AASB 101 and IPSAS 1

International Public Sector Accounting Standards (IPSASs) are issued by the Public Sector Committee of the International Federation of Accountants.

IPSAS 1 *Presentation of Financial Statements* (May 2000) is drawn primarily from IAS 1 *Presentation of Financial Statements* (revised 1997). The main differences between IPSAS 1 and AASB 101 are:

(a) AASB 101 allows the presentation of either a statement showing all changes in net assets/equity, or a statement showing changes in net assets/equity other than those arising from capital transactions with owners and distributions to owners in their capacity as owners. IPSAS 1 requires the presentation of a statement showing all changes in net assets/equity; and

(b) IPSAS 1 allows the presentation of "extraordinary items". In contrast, AASB 101 does not permit extraordinary items to be presented.

ACCOUNTING STANDARD AASB 101

The Australian Accounting Standards Board makes Accounting Standard AASB 101 *Presentation of Financial Statements* under section 334 of the *Corporations Act 2001*.

D.G. Boymal
Dated 15 July 2004 Chair – AASB

ACCOUNTING STANDARD AASB 101

PRESENTATION OF FINANCIAL STATEMENTS

Objective

1. The objective of this Standard is to prescribe the basis for presentation of *general purpose financial reports*, to ensure comparability both with the entity's financial reports of previous periods and with the financial reports of other entities. To achieve this objective, this Standard sets out overall requirements for the presentation of financial reports, guidelines for their structure and minimum requirements for their content. The recognition, measurement and disclosure of specific transactions and other events are dealt with in other Australian Accounting Standards.

Application

Aus1.1 This Standard applies to:

(a) each *entity* that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act;

(b) general purpose financial reports of each reporting entity; and

(c) financial reports that are, or are held out to be, general purpose financial reports.

Aus1.2 This Standard applies to *annual reporting periods* beginning on or after 1 January 2005.

Aus1.3 This Standard shall not be applied to annual reporting periods beginning before 1 January 2005.

Aus1.4 **The requirements specified in this Standard apply to the financial report where information resulting from their application is *material* in accordance with AASB 1031 *Materiality*.**

Aus1.5 **When applicable, this Standard supersedes:**

(a) AASB 1001 *Accounting Policies* as notified in the *Commonwealth of Australia Gazette* No S 130, 26 March 1999;

(b) AASB 1014 *Set-Off and Extinguishment of Debt* as notified in the *Commonwealth of Australia Gazette* No S 478, 12 December 1996;

(c) AASB 1018 *Statement of Financial Performance* as notified in the *Commonwealth of Australia Gazette* No S 196, 14 June 2002;

(d) AASB 1034 *Financial Report Presentation and Disclosures* as notified in the *Commonwealth of Australia Gazette* No S 485, 14 October 1999;

(e) AASB 1040 *Statement of Financial Position* as notified in the *Commonwealth of Australia Gazette* No S 485, 14 October 1999;

(f) AAS 6 *Accounting Policies* as issued in March 1999;

(g) AAS 23 *Set-Off and Extinguishment of Debt* as issued in December 1996;

(h) AAS 36 *Statement of Financial Position* as issued in October 1999; and

(i) AAS 37 *Financial Report Presentation and Disclosures* as issued in October 1999.

Aus1.6 AASB 1001, AASB 1014, AASB 1018, AASB 1034, AASB 1040, AAS 6, AAS 23, AAS 36 and AAS 37 remain applicable until superseded by this Standard.

Aus1.7 Notice of this Standard was published in the *Commonwealth of Australia Gazette* No S 294, 22 July 2004.

Aus1.8 The term 'financial statements' in the title of this Standard means a 'financial report'.

Scope

2. [Deleted by the AASB]

3. General purpose financial reports are those intended to meet the needs of users who are not in a position to demand reports tailored to meet their particular information needs. General purpose financial reports include those that are presented separately or within another public document such as an annual report or a prospectus. This Standard does not apply to the structure and content of condensed interim financial reports prepared in accordance with AASB 134 *Interim Financial Reporting*. However, paragraphs 13-41 apply to such financial reports. This Standard applies equally to all entities and whether or not they need to prepare consolidated financial statements or separate financial statements, as defined in AASB 127 *Consolidated and Separate Financial Statements*.

Aus3.1 Concise financial reports prepared in accordance with AASB 1039 *Concise Financial Reports* are treated in the same manner, as explained in paragraph 3, as for condensed interim reports prepared in accordance with AASB 134.

4. AASB 130 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions* specifies additional requirements for banks and similar financial institutions that are consistent with the requirements of this Standard.

5. This Standard uses terminology that is suitable for profit-oriented entities, including public sector business entities. Entities with not-for-profit activities in the private sector, public sector or government applying this Standard may need to amend the descriptions used for particular line items in the financial statements and for the financial statements themselves.

6. Similarly, entities that do not have equity as defined in AASB 132 *Financial Instruments: Disclosure and Presentation* (e.g. some mutual funds) and entities whose share capital is not equity (e.g. some co-operative entities) may need to adapt the presentation in the financial report of members' or unitholders' interests.

Purpose of Financial Reports

7. Financial reports are a structured representation of the financial position and financial performance of an entity. The objective of general purpose financial reports 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. Financial reports also show the results of management's stewardship of the resources entrusted to it. To meet this objective, financial reports provide information about an entity's:

(a) assets;

(b) liabilities;

(c) equity;

(d) income and expenses, including gains and losses;

(e) other changes in equity; and

(f) cash flows.

This information, along with other information in the *notes*, assists users of financial reports in predicting the entity's future cash flows and, in particular, their timing and certainty.

Components of a Financial Report

8. A financial report comprises:

(a) a balance sheet;

(b) an income statement;

(c) a statement of changes in equity showing either:

(i) all changes in equity, or

(ii) changes in equity other than those arising from transactions with equity holders acting in their capacity as equity holders;

(d) a cash flow statement; and

(e) notes, comprising a summary of significant accounting policies and other explanatory notes.

9. Many entities present, outside the financial report, a financial review by management that describes and explains the main features of the entity's financial performance and financial position and the principal uncertainties it faces. Such a report may include a review of:

(a) the main factors and influences determining financial performance, including changes in the environment in which the entity operates, the entity's response to those changes and their effect, and the entity's policy for investment to maintain and enhance financial performance, including its dividend policy;

(b) the entity's sources of funding and its targeted ratio of liabilities to equity; and

(c) the entity's resources not recognised in the balance sheet in accordance with Australian Accounting Standards.

Aus9.1 The Corporations Act requires entities to present reports such as a Directors' Report and a Remuneration Report outside the financial report.

10. Many entities also present, outside the financial report, reports and statements such as environmental reports and value added statements, particularly in industries in which environmental factors are significant and when employees are regarded as an important user group. Reports and statements presented outside the financial report are outside the scope of Australian Accounting Standards.

Definitions

11. The following terms are used in this Standard with the meanings specified.

***Impracticable* – applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so.**

***International Financial Reporting Standards (IFRSs)* are Standards and Interpretations adopted by the International Accounting Standards Board (IASB). They comprise:**

(a) International Financial Reporting Standards;

(b) International Accounting Standards; and

(c) Interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).

Material **– omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions of users taken on the basis of the financial report. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.**

Notes **contain information in addition to that presented in the balance sheet, income statement, statement of changes in equity and cash flow statement. Notes provide narrative descriptions or disaggregations of items disclosed in those statements and information about items that do not qualify for recognition in those statements.**

Aus11.1 The following terms are also used in this Standard with the meanings specified.

Annual reporting period **means the financial year or similar period to which an annual financial report relates.**

Australian equivalents to IFRSs **comprise:**

(a) Accounting Standards issued by the Australian Accounting Standards Board (AASB) that are equivalent to Standards issued by the International Accounting Standards Board (IASB), being AASBs 1 – 99 corresponding to the IFRS series and AASBs 101 – 199 corresponding to the IAS series; and

(b) UIG Interpretations issued by the AASB corresponding to the Interpretations adopted by the IASB, as listed in AASB 1048 *Interpretation and Application of Standards*.

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.**

General purpose financial report **means a financial report intended to meet the information needs common to users who are unable to command the preparation of reports tailored so as to satisfy, specifically, all of their information needs.**

***Related practice* means in relation to the auditor's practice:**

(a) an entity through which an auditor provides professional services to clients and that has one or more partners or directors in common with the auditor's practice; or

(b) an entity that is owned by the relatives of one or more partners of the auditor's practice and that shares fees or profits with the auditor's practice in respect of the entity that is subject to the financial reporting obligation; or

(c) any other entity that shares fees or profits with the auditor's practice in respect of the entity that is subject to the financial reporting obligation.

***Special purpose financial report* means a financial report other than a general purpose financial report.**

12. Assessing whether an omission or misstatement could influence economic decisions of users, and so be material, requires consideration of the characteristics of those users. The *Framework for the Preparation and Presentation of Financial Statements* (the *Framework*) states in paragraph 25 that "users are assumed to have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information with reasonable diligence." Therefore, the assessment needs to take into account how users with such attributes could reasonably be expected to be influenced in making economic decisions.

Overall Considerations

Fair Presentation and Compliance with Australian Accounting Standards

13. A financial report shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the *Framework*. The application of Australian Accounting Standards, with additional disclosure when necessary, is presumed to result in a financial report that achieves a fair presentation.

Aus13.1 The Corporations Act requires an entity's financial report to comply with Australian Accounting Standards and, if necessary to give a true and fair view, further information to be disclosed in the notes.

Aus13.2 An entity shall disclose in the notes a statement whether the financial report has been prepared in accordance with Australian Accounting Standards.

Aus13.3 The financial reporting framework applied in the preparation of the financial report is identified in the summary of accounting policies so that users understand the basis on which the financial report has been prepared. In addition to stating whether the financial report has been prepared in accordance with Australian Accounting Standards, it may also be appropriate to indicate the relevant statutory and other requirements adopted in the preparation of the financial report.

Aus13.4 An entity shall disclose in the notes a statement that the financial report is a general purpose financial report, or if applicable, a *special purpose financial report.*

14. An entity whose financial statements and notes comply with *IFRSs* shall make an explicit and unreserved statement of such compliance in the notes. The financial statements and notes shall not be described as complying with IFRSs unless they comply with all the requirements of IFRSs.

Aus14.1 Where an entity can make the explicit and unreserved statement of compliance in respect of only:

(a) the parent financial statements and notes; or

(b) the consolidated financial statements and notes;

the entity shall make the explicit and unreserved statement of compliance in accordance with paragraph 14 and clearly identify to which financial statements and notes it relates.

Aus14.2 In some circumstances compliance with *Australian equivalents to IFRSs* by for-profit entities will not lead to compliance with IFRSs. These circumstances include, for example, when:

(a) the entity is required to prepare consolidated financial statements and notes in accordance with AASB 127 *Consolidated and Separate Financial Statements* and the parent avails itself of the disclosure relief provided in

AASB 130 or AASB 132, in which case the entity makes an explicit and unreserved statement of compliance for only the consolidated financial statements and notes; or

(b) the entity is a for-profit public sector entity to which AAS 29 *Financial Reporting by Government Departments* applies and the entity has applied a requirement in that Standard that overrides the requirements in an Australian equivalent to IFRSs.

Aus14.3 Some Australian equivalents to IFRSs and other Australian Accounting Standards contain requirements specific to not-for-profit entities that are inconsistent with IFRS requirements. A not-for-profit entity is only able to make a statement of explicit and unreserved compliance with IFRSs if the entity:

(a) has not applied any of these not-for-profit requirements that are inconsistent with IFRSs;

(b) has not used requirements in Australian Accounting Standards that are not Australian equivalents to IFRSs and the requirements override the requirements in an Australian equivalent to IFRSs;

(c) has voluntarily applied those Australian equivalents to IFRSs that are not required to be applied by not-for-profit entities; and

(d) is not a parent that falls within the exceptions in paragraph Aus14.2.

15. A fair presentation 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.

16. **Inappropriate accounting policies are not rectified either by disclosure of the accounting policies used or by notes or explanatory material.**

17. [Deleted by the AASB]

18. [Deleted by the AASB]

19. [Deleted by the AASB]

20. [Deleted by the AASB]

21. **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 reports set out in the *Framework*, the entity shall, to the maximum extent possible, reduce the perceived misleading aspects of compliance by disclosing:**

    (a) the title of the Australian Accounting Standard in question, the nature of the requirement, and the reason why management has concluded that complying with that requirement is so misleading in the circumstances that it conflicts with the objective of financial reports set out in the *Framework*; and

    (b) for each period presented, the adjustments to each item in the financial reports that management has concluded would be necessary to achieve a fair presentation.

22. For the purpose of paragraph 21, an item of information would conflict with the objective of financial reports when it does not represent faithfully the transactions, other events and conditions that it either purports to represent or could reasonably be expected to represent and, consequently, it would be likely to influence economic decisions made by users of financial reports. When assessing whether complying with a specific requirement in an Australian Accounting Standard would be so misleading that it would conflict with the objective of financial reports set out in the *Framework*, management considers:

    (a) why the objective of financial reports is not achieved in the particular circumstances; and

(b) how the entity's circumstances differ from those of other entities that comply with the requirement. If other entities in similar circumstances comply with the requirement, there is a rebuttable presumption that the entity's compliance with the requirement would not be so misleading that it would conflict with the objective of financial reports set out in the *Framework*.

Going Concern

23. When preparing financial reports, management shall make an assessment of an entity's ability to continue as a going concern. Financial reports shall be prepared on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed. When the financial report is not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial report is prepared and the reason why the entity is not regarded as a going concern.

24. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the reporting date. The degree of consideration depends on the facts in each case. When an entity has a history of profitable operations and ready access to financial resources, a conclusion that the going concern basis of accounting is appropriate may be reached without detailed analysis. In other cases, management may need to consider a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing before it can satisfy itself that the going concern basis is appropriate.

Accrual Basis of Accounting

25. An entity shall prepare its financial report, except for cash flow information, using the accrual basis of accounting.

26. When the accrual basis of accounting is used, items are recognised as assets, liabilities, equity, income and expenses (the elements of financial statements) when they satisfy the definitions and recognition criteria for those elements in the *Framework*.

Consistency of Presentation

27. The presentation and classification of items in the financial report shall be retained from one period to the next unless:

(a) it is apparent, following a significant change in the nature of the entity’s operations or a review of its financial report, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in AASB 108; or

(b) an Australian Accounting Standard requires a change in presentation.

28. A significant acquisition or disposal, or a review of the presentation of the financial report, might suggest that the financial report needs to be presented differently. An entity changes the presentation of its financial report only if the changed presentation provides information that is reliable and is more relevant to users of the financial report and the revised structure is likely to continue, so that comparability is not impaired. When making such changes in presentation, an entity reclassifies its comparative information in accordance with paragraphs 38 and 39.

Materiality and Aggregation

29. Each material class of similar items shall be presented separately in the financial report. Items of a dissimilar nature or function shall be presented separately unless they are immaterial.

30. Financial reports result from processing large numbers of transactions or other events that are aggregated into classes according to their nature or function. The final stage in the process of aggregation and classification is the presentation of condensed and classified data, which form line items on the face of the balance sheet, income statement, statement of changes in equity and cash flow statement, or in the notes. If a line item is not individually material, it is aggregated with other items either on the face of those statements or in the notes. An item that is not sufficiently material to warrant separate presentation on the face of those statements may nevertheless be sufficiently material for it to be presented separately in the notes.

31. Applying the concept of materiality means that a specific disclosure requirement in an Australian Accounting Standard need not be satisfied if the information is not material.

Offsetting

32. Assets and liabilities, and income and expenses, shall not be offset unless required or permitted by an Australian Accounting Standard.

33. It is important that assets and liabilities, and income and expenses, are reported separately. Offsetting in the income statement or the balance sheet, except when offsetting reflects the substance of the transaction or other event, detracts from the ability of users both to understand the transactions, other events and conditions that have occurred and to assess the entity's future cash flows. Measuring assets net of valuation allowances – for example, obsolescence allowances on inventories and doubtful debts allowances on receivables – is not offsetting.

34. AASB 118 *Revenue* defines revenue and requires it to be measured at the fair value of the consideration received or receivable, taking into account the amount of any trade discounts and volume rebates allowed by the entity. An entity undertakes, in the course of its ordinary activities, other transactions that do not generate revenue but are incidental to the main revenue-generating activities. The results of such transactions are presented, when this presentation reflects the substance of the transaction or other event, by netting any income with related expenses arising on the same transaction. For example:

(a) gains and losses on the disposal of non-current assets, including investments and operating assets, are reported by deducting from the proceeds on disposal the carrying amount of the asset and related selling expenses; and

(b) expenditure related to a provision that is recognised in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and reimbursed under a contractual arrangement with a third party (for example, a supplier's warranty agreement) may be netted against the related reimbursement.

35. In addition, gains and losses arising from a group of similar transactions are reported on a net basis, for example, foreign exchange gains and losses or gains and losses arising on financial instruments held for trading. Such gains and losses are, however, reported separately if they are material.

Comparative Information

36. Except when an Australian Accounting Standard permits or requires otherwise, comparative information shall be disclosed in respect of the previous period for all amounts reported in the financial report. Comparative information shall be included for narrative and descriptive information when it is relevant to an understanding of the current period's financial report.

37. In some cases, narrative information provided in the financial report for the previous period(s) continues to be relevant in the current period. For example, details of a legal dispute, the outcome of which was uncertain at the last reporting date and is yet to be resolved, are disclosed in the current period. Users benefit from information that the uncertainty existed at the last reporting date, and about the steps that have been taken during the period to resolve the uncertainty.

38. When the presentation or classification of items in the financial report is amended, comparative amounts shall be reclassified unless the reclassification is *impracticable*. When comparative amounts are reclassified, an entity shall disclose:

(a) the nature of the reclassification;

(b) the amount of each item or class of items that is reclassified; and

(c) the reason for the reclassification.

39. When it is impracticable to reclassify comparative amounts, an entity shall disclose:

(a) the reason for not reclassifying the amounts; and

(b) the nature of the adjustments that would have been made if the amounts had been reclassified.

40. Enhancing the inter-period comparability of information assists users in making economic decisions, especially by allowing the assessment of trends in financial information for predictive purposes. In some circumstances, it is impracticable to reclassify comparative information for a particular prior period to achieve comparability with the current period. For example, data may not have been collected in the prior period(s) in a way that allows reclassification, and it may not be practicable to recreate the information.

41. AASB 108 deals with the adjustments to comparative information required when an entity changes an accounting policy or corrects an error.

Structure and Content

Introduction

42. This Standard requires particular disclosures on the face of the balance sheet, income statement and statement of changes in equity and requires disclosure of other line items either on the face of those statements or in the notes. AASB 107 sets out requirements for the presentation of a cash flow statement.

43. This Standard sometimes uses the term ‘disclosure’ in a broad sense, encompassing items presented on the face of the balance sheet, income statement, statement of changes in equity and cash flow statement, as well as in the notes. Disclosures are also required by other Australian Accounting Standards. Unless specified to the contrary elsewhere in this Standard, or in another Australian Accounting Standard, such disclosures are made either on the face of the balance sheet, income statement, statement of changes in equity or cash flow statement (whichever is relevant), or in the notes.

Identification of the Financial Report

44. The financial report shall be identified clearly and distinguished from other information in the same published document.

45. Australian Accounting Standards apply only to financial reports, and not to other information presented in an annual report or other document. Therefore, it is important that users can distinguish information that is prepared using Australian Accounting Standards from other information that may be useful to users but is not the subject of those requirements.

Aus45.1 The financial report shall be presented in the English language.

46. Each component of the financial report shall be identified clearly. In addition, the following information shall be displayed prominently, and repeated when it is necessary for a proper understanding of the information presented:

(a) **the name of the entity that is reporting or other means of identification, and any change in that information from the preceding reporting date;**

(b) **whether the financial report covers the individual entity or a group of entities;**

(c) **the reporting date or the period covered by the financial report, whichever is appropriate to that component of the financial report;**

(d) **the presentation currency, as defined in AASB 121 *The Effects of Changes in Foreign Exchange Rates*; and**

(e) **the level of rounding used in presenting amounts in the financial report.**

Aus46.1 **When the presentation currency is different from the Australian currency, the entity shall disclose the reason and justification for not using the Australian currency.**

47. The requirements in paragraph 46 are normally met by presenting page headings and abbreviated column headings on each page of the financial report. Judgement is required in determining the best way of presenting such information. For example, when the financial report is presented electronically, separate pages are not always used; the above items are then presented frequently enough to ensure a proper understanding of the information included in the financial report.

48. Financial reports are often made more understandable by presenting information in thousands or millions of units of the presentation currency. This is acceptable as long as the level of rounding in presentation is disclosed and material information is not omitted.

Aus48.1 An entity shall assess its regulatory framework to determine whether that framework permits financial information to be presented in the financial report in thousands or millions of units of the presentation currency in accordance with paragraph 48.

Reporting Period

49. **Financial reports shall be presented at least annually. When an entity's reporting date changes and the annual financial report is presented for a period longer or shorter than one year, an entity shall disclose, in addition to the period covered by the financial report:**

(a) **the reason for using a longer or shorter period; and**

(b) **the fact that comparative amounts for the income statement, statement of changes in equity, cash flow statement and related notes are not entirely comparable.**

50. Normally, financial reports are consistently prepared covering a one-year period. However, for practical reasons, some entities prefer to report, for example, for a 52-week period. This Standard does not preclude this practice, because the resulting financial report is unlikely to be materially different from those that would be presented for one year.

Balance Sheet

Current/Non-current Distinction

51. **An entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications on the face of its balance sheet in accordance with paragraphs 57-67 except when a presentation based on liquidity provides information that is reliable and is more relevant. When that exception applies, all assets and liabilities shall be presented broadly in order of liquidity.**

52. **Whichever method of presentation is adopted, for each asset and liability line item that combines amounts expected to be recovered or settled (a) no more than twelve months after the reporting date, and (b) more than twelve months after the reporting date, an entity shall disclose the amount expected to be recovered or settled after more than twelve months.**

53. When an entity supplies goods or services within a clearly identifiable operating cycle, separate classification of current and non-current assets and liabilities on the face of the balance sheet provides useful information by distinguishing the net assets that are continuously circulating as working capital from those used in the entity's long-term operations. It also highlights assets that are expected to be realised within the current operating cycle, and liabilities that are due for settlement within the same period.

54. For some entities, such as financial institutions, a presentation of assets and liabilities in increasing or decreasing order of liquidity provides information that is reliable and is more relevant than a current/non-current presentation because the entity does not supply goods or services within a clearly identifiable operating cycle.

55. In applying paragraph 51, an entity is permitted to present some of its assets and liabilities using a current/non-current classification and others in order of liquidity when this provides information that is reliable and is more relevant. The need for a mixed basis of presentation might arise when an entity has diverse operations.

56. Information about expected dates of realisation of assets and liabilities is useful in assessing the liquidity and solvency of an entity. AASB 132 requires disclosure of the maturity dates of financial assets and financial liabilities. Financial assets include trade and other receivables, and financial liabilities include trade and other payables. Information on the expected date of recovery and settlement of non-monetary assets and liabilities such as inventories and provisions is also useful, whether or not assets and liabilities are classified as current or non-current. For example, an entity discloses the amount of inventories that are expected to be recovered more than twelve months after the reporting date.

Aus56.1 Where the entity presents current assets separately from non-current assets and current liabilities separately from non-current liabilities in accordance with paragraph 51, and the entity has a clearly identifiable operating cycle greater than twelve months, the length of that operating cycle shall be disclosed.

Current Assets

57. An asset shall be classified as current when it satisfies any of the following criteria:

(a) it is expected to be realised in, or is intended for sale or consumption in, the entity's normal operating cycle;

(b) it is held primarily for the purpose of being traded;

(c) it is expected to be realised within twelve months after the reporting date; or

(d) it is cash or a cash equivalent (as defined in AASB 107 *Cash Flow Statements*) unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets shall be classified as non-current.

58. This Standard uses the term 'non-current' to include tangible, intangible and financial assets of a long-term nature. It does not

prohibit the use of alternative descriptions as long as the meaning is clear.

59. The operating cycle of an entity is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. When the entity's normal operating cycle is not clearly identifiable, its duration is assumed to be twelve months. Current assets include assets (such as inventories and trade receivables) that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve months after the reporting date. Current assets also include assets held primarily for the purpose of being traded (financial assets within this category are classified as held for trading in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*) and the current portion of non-current financial assets.

Current Liabilities

60. A liability shall be classified as current when it satisfies any of the following criteria:

(a) it is expected to be settled in the entity's normal operating cycle;

(b) it is held primarily for the purpose of being traded;

(c) it is due to be settled within twelve months after the reporting date; or

(d) the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

All other liabilities shall be classified as non-current.

61. Some current liabilities, such as trade payables and some accruals for employee and other operating costs, are part of the working capital used in the entity's normal operating cycle. Such operating items are classified as current liabilities even if they are due to be settled more than twelve months after the reporting date. The same normal operating cycle applies to the classification of an entity's assets and liabilities. When the entity's normal operating cycle is not clearly identifiable, its duration is assumed to be twelve months.

62. Other current liabilities are not settled as part of the normal operating cycle, but are due for settlement within twelve months after the reporting date or held primarily for the purpose of being traded.

Examples are financial liabilities classified as held for trading in accordance with AASB 139, bank overdrafts, and the current portion of non-current financial liabilities, dividends payable, income taxes and other non-trade payables. Financial liabilities that provide financing on a long-term basis (i.e. are not part of the working capital used in the entity's normal operating cycle) and are not due for settlement within twelve months after the reporting date are non-current liabilities, subject to paragraphs 65 and 66.

63. An entity classifies its financial liabilities as current when they are due to be settled within twelve months after the reporting date, even if:

(a) the original term was for a period longer than twelve months; and

(b) an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date and before the financial report is authorised for issue.

64. If an entity expects, and has the discretion, to refinance or roll over an obligation for at least twelve months after the reporting date under an existing loan facility, it classifies the obligation as non-current, even if it would otherwise be due within a shorter period. However, when refinancing or rolling over the obligation is not at the discretion of the entity (for example, there is no agreement to refinance), the potential to refinance is not considered and the obligation is classified as current.

65. When an entity breaches an undertaking under a long-term loan agreement on or before the reporting date with the effect that the liability becomes payable on demand, the liability is classified as current, even if the lender has agreed, after the reporting date and before the authorisation of the financial report for issue, not to demand payment as a consequence of the breach. The liability is classified as current because, at the reporting date, the entity does not have an unconditional right to defer its settlement for at least twelve months after that date.

66. However, the liability is classified as non-current if the lender agreed by the reporting date to provide a period of grace ending at least twelve months after the reporting date, within which the entity can rectify the breach and during which the lender cannot demand immediate repayment.

67. In respect of loans classified as current liabilities, if the following events occur between the reporting date and the date the financial report is authorised for issue, those events qualify for disclosure as

non-adjusting events in accordance with AASB 110 *Events after the Balance Sheet Date*:

(a) refinancing on a long-term basis;

(b) rectification of a breach of a long-term loan agreement; and

(c) the receipt from the lender of a period of grace to rectify a breach of a long-term loan agreement ending at least twelve months after the reporting date.

Information to be Presented on the Face of the Balance Sheet

68. As a minimum, the face of the balance sheet shall include line items that present the following amounts to the extent that they are not presented in accordance with paragraph 68A:

(a) property, plant and equipment;

(b) investment property;

(c) intangible assets;

(d) financial assets (excluding amounts shown under (e), (h) and (i));

(e) investments accounted for using the equity method;

(f) biological assets;

(g) inventories;

(h) trade and other receivables;

(i) cash and cash equivalents;

(j) trade and other payables;

(k) provisions;

(l) financial liabilities (excluding amounts shown under (j) and (k));

(m) liabilities and assets for current tax, as defined in AASB 112 *Income Taxes*;

(n) **deferred tax liabilities and deferred tax assets, as defined in AASB 112;**

(o) **minority interest, presented within equity; and**

(p) **issued capital and reserves attributable to equity holders of the parent.**

Aus68.1 **An entity shall disclose on the face of the balance sheet retained earnings attributable to equity holders of the parent, in addition to the line items required to be disclosed in accordance with paragraph 68(p).**

68A. **The face of the balance sheet shall also include line items that present the following amounts:**

(a) **the total of assets classified as held for sale and assets included in disposal groups classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*; and**

(b) **liabilities included in disposal groups classified as held for sale in accordance with AASB 5.**

69. **Additional line items, headings and subtotals shall be presented on the face of the balance sheet when such presentation is relevant to an understanding of the entity's financial position.**

Aus69.1 **An entity is encouraged to adopt one of the balance sheet formats presented in the Appendix unless an alternative balance sheet format is more relevant to users in understanding the entity's financial position.**

70. **When an entity presents current and non-current assets, and current and non-current liabilities, as separate classifications on the face of its balance sheet, it shall not classify deferred tax assets (liabilities) as current assets (liabilities).**

71. This Standard does not prescribe the order or format in which items are to be presented. Paragraph 68 simply provides a list of items that are sufficiently different in nature or function to warrant separate presentation on the face of the balance sheet. In addition:

(a) line items are included when the size, nature or function of an item or aggregation of similar items is such that separate presentation is relevant to an understanding of the entity's financial position; and

(b) the descriptions used and the ordering of items or aggregation of similar items may be amended according to the nature of the entity and its transactions, to provide information that is relevant to an understanding of the entity's financial position. For example, a bank amends the above descriptions to apply the more specific requirements in AASB 130.

72. The judgement on whether additional items are presented separately is based on an assessment of:

(a) the nature and liquidity of assets;

(b) the function of assets within the entity; and

(c) the amounts, nature and timing of liabilities.

73. The use of different measurement bases for different classes of assets suggests that their nature or function differs and, therefore, that they should be presented as separate line items. For example, different classes of property, plant and equipment can be carried at cost or revalued amounts in accordance with AASB 116 *Property, Plant and Equipment*.

Information to be Presented either on the Face of the Balance Sheet or in the Notes

74. An entity shall disclose, either on the face of the balance sheet or in the notes, further subclassifications of the line items presented, classified in a manner appropriate to the entity's operations.

75. The detail provided in subclassifications depends on the requirements of Australian Accounting Standards and on the size, nature and function of the amounts involved. The factors set out in paragraph 72 also are used to decide the basis of subclassification. The disclosures vary for each item, for example:

(a) items of property, plant and equipment are disaggregated into classes in accordance with AASB 116;

(b) receivables are disaggregated into amounts receivable from trade customers, receivables from related parties, prepayments and other amounts;

(c) inventories are subclassified, in accordance with AASB 102 *Inventories*, into classifications such as merchandise, production supplies, materials, work in progress and finished goods;

(d) provisions are disaggregated into provisions for employee benefits and other items; and

(e) contributed equity and reserves are disaggregated into various classes, such as paid-in capital, share premium and reserves.

76. An entity shall disclose the following, either on the face of the balance sheet or in the notes:

(a) for each class of share capital:

(i) the number of shares authorised;

(ii) the number of shares issued and fully paid, and issued but not fully paid;

(iii) par value per share, or that the shares have no par value;

(iv) a reconciliation of the number of shares outstanding at the beginning and at the end of the period;

(v) the rights, preferences and restrictions attaching to that class including restrictions on the distribution of dividends and the repayment of capital;

(vi) shares in the entity held by the entity or by its subsidiaries or associates; and

(vii) shares reserved for issue under options and contracts for the sale of shares, including the terms and amounts; and

(b) a description of the nature and purpose of each reserve within equity.

77. An entity without share capital, such as a partnership or trust, shall disclose information equivalent to that required by paragraph 76(a), showing changes during the period in each category of equity interest, and the rights, preferences and restrictions attaching to each category of equity interest.

Income Statement

Profit or Loss for the Period

78. All items of income and expense recognised in a period shall be included in profit or loss unless an Australian Accounting Standard requires otherwise.

79. Normally, all items of income and expense recognised in a period are included in profit or loss. This includes the effects of changes in accounting estimates. However, circumstances may exist when particular items may be excluded from profit or loss for the current period. AASB 108 deals with two such circumstances: the correction of errors and the effect of changes in accounting policies.

80. Other Australian Accounting Standards deal with items that may meet the *Framework* definitions of income or expense but are usually excluded from profit or loss. Examples include revaluation reserves (see AASB 116), particular gains and losses arising on translating the financial statements of a foreign operation (see AASB 121) and gains or losses on remeasuring available-for-sale financial assets (see AASB 139).

Information to be Presented on the Face of the Income Statement

81. As a minimum, the face of the income statement shall include line items that present the following amounts for the period:

- **(a) revenue;**
- **(b) finance costs;**
- **(c) share of the profit or loss of associates and joint ventures accounted for using the equity method;**
- **(d) tax expense;**
- **(e) a single amount comprising of (i) the post-tax profit or loss of discontinued operations and (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation; and**
- **(f) profit or loss.**

82. The following items shall be disclosed on the face of the income statement as allocations of profit or loss for the period:

(a) profit or loss attributable to minority interest; and

(b) profit or loss attributable to equity holders of the parent.

83. Additional line items, headings and subtotals shall be presented on the face of the income statement when such presentation is relevant to an understanding of the entity's financial performance.

Aus83.1 An entity is encouraged to adopt the income statement format presented in the Appendix unless an alternative income statement format is more relevant to users in understanding the entity's financial performance.

84. Because the effects of an entity's various activities, transactions and other events differ in frequency, potential for gain or loss and predictability, disclosing the components of financial performance assists in an understanding of the financial performance achieved and in making projections of future results. Additional line items are included on the face of the income statement, and the descriptions used and the ordering of items are amended when this is necessary to explain the elements of financial performance. Factors to be considered include materiality and the nature and function of the components of income and expenses. For example, a bank amends the descriptions to apply the more specific requirements in AASB 130. Income and expense items are not offset unless the criteria in paragraph 32 are met.

85. An entity shall not present any items of income and expense as extraordinary items, either on the face of the income statement or in the notes.

Information to be Presented either on the Face of the Income Statement or in the Notes

86. When items of income and expense are material, their nature and amount shall be disclosed separately.

87. Circumstances that would give rise to the separate disclosure of items of income and expense include:

(a) write-downs of inventories to net realisable value or of property, plant and equipment to recoverable amount, as well as reversals of such write-downs;

(b) restructurings of the activities of an entity and reversals of any provisions for the costs of restructuring;

(c) disposals of items of property, plant and equipment;

(d) disposals of investments;

(e) discontinued operations;

(f) litigation settlements; and

(g) other reversals of provisions.

88. An entity shall present an analysis of expenses using a classification based on either the nature of expenses or their function within the entity, whichever provides information that is reliable and more relevant.

89. Entities are encouraged to present the analysis in paragraph 88 on the face of the income statement.

90. Expenses are subclassified to highlight components of financial performance that may differ in terms of frequency, potential for gain or loss and predictability. This analysis is provided in one of two forms.

91. The first form of analysis is the nature of expense method. Expenses are aggregated in the income statement according to their nature (for example, depreciation, purchases of materials, transport costs, employee benefits and advertising costs), and are not reallocated among various functions within the entity. This method may be simple to apply because no allocations of expenses to functional classifications are necessary. An example of a classification using the nature of expense method is as follows:

Revenue		X
Other income		X
Changes in inventories of finished goods and work in progress	X	
Raw materials and consumables used	X	
Employee benefits costs	X	
Depreciation and amortisation expense	X	
Other expenses	X	
Total expenses		(X)
Profit before income tax		X

92. The second form of analysis is the function of expense or 'cost of sales' method and classifies expenses according to their function as part of cost of sales or, for example, the costs of distribution or

administrative activities. At a minimum, an entity discloses its cost of sales under this method separately from other expenses. This method can provide more relevant information to users than the classification of expenses by nature, but allocating costs to functions may require arbitrary allocations and involve considerable judgement. An example of a classification using the function of expense method is as follows:

Revenue	X
Cost of sales	(X)
Gross profit	X
Other income	X
Distribution costs	(X)
Administrative expenses	(X)
Other expenses	(X)
Profit before income tax	X

93. Entities classifying expenses by function shall disclose additional information on the nature of expenses, including depreciation and amortisation expense and employee benefits expense.

94. The choice between the function of expense method and the nature of expense method depends on historical and industry factors and the nature of the entity. Both methods provide an indication of those costs that might vary, directly or indirectly, with the level of sales or production of the entity. Because each method of presentation has merit for different types of entities, this Standard requires management to select the most relevant and reliable presentation. However, because information on the nature of expenses is useful in predicting future cash flows, additional disclosure is required when the function of expense classification is used. In paragraph 93, ‘employee benefits’ has the same meaning as in AASB 119 *Employee Benefits*.

95. An entity shall disclose, either on the face of the income statement or the statement of changes in equity, or in the notes, the amount of dividends recognised as distributions to equity holders during the period, and the related amount per share.

Statement of Changes in Equity

96. An entity shall present a statement of changes in equity showing on the face of the statement:

(a) profit or loss for the period;

(b) each item of income and expense for the period that, as required by other Australian Accounting Standards, is recognised directly in equity, and the total of these items;

(c) total income and expense for the period (calculated as the sum of (a) and (b)), showing separately the total amounts attributable to equity holders of the parent and to minority interest; and

(d) for each component of equity, the effects of changes in accounting policies and corrections of errors recognised in accordance with AASB 108.

97. An entity shall also present, either on the face of the statement of changes in equity or in the notes:

(a) the amounts of transactions with equity holders acting in their capacity as equity holders, showing separately distributions to equity holders;

(b) the balance of retained earnings (i.e. accumulated profit or loss) at the beginning of the period and at the reporting date, and the changes during the period; and

(c) a reconciliation between the carrying amount of each class of contributed equity and each reserve at the beginning and the end of the period, separately disclosing each change.

Aus97.1 An entity is encouraged to adopt the statement of changes in equity format presented in the Appendix unless an alternative statement of changes in equity format is more relevant to users in understanding movements in the entity's equity during the period.

98. Changes in an entity's equity between two reporting dates reflect the increase or decrease in its net assets during the period. Except for changes resulting from transactions with equity holders acting in their capacity as equity holders (such as equity contributions, reacquisitions of the entity's own equity instruments and dividends) and transaction costs directly related to such transactions, the overall change in equity during a period represents the total amount of income and expenses, including gains and losses, generated by the entity's activities during that period (whether those items of income and expenses are recognised in profit or loss or directly as changes in equity).

99. This Standard requires all items of income and expense recognised in a period to be included in profit or loss unless another Australian

Accounting Standard requires otherwise. Other Australian Accounting Standards require some gains and losses (such as revaluation increases and decreases, particular foreign exchange differences, gains or losses on remeasuring available-for-sale financial assets, and related amounts of current tax and deferred tax) to be recognised directly as changes in equity. Because it is important to consider all items of income and expense in assessing changes in an entity's financial position between two reporting dates, this Standard requires the presentation of a statement of changes in equity that highlights an entity's total income and expenses, including those that are recognised directly in equity.

100. AASB 108 requires retrospective adjustments to effect changes in accounting policies, to the extent practicable, except when the transitional provisions in another Australian Accounting Standard require otherwise. AASB 108 also requires that restatements to correct errors are made retrospectively, to the extent practicable. Retrospective adjustments and retrospective restatements are made to the balance of retained earnings, except when an Australian Accounting Standard requires retrospective adjustment of another component of equity. Paragraph 96(d) requires disclosure in the statement of changes in equity of the total adjustment to each component of equity resulting, separately, from changes in accounting policies and from corrections of errors. These adjustments are disclosed for each prior period and the beginning of the period.

101. [Deleted by the AASB]

Cash Flow Statement

102. Cash flow information provides users of financial reports with a basis to assess the ability of the entity to generate cash and cash equivalents and the needs of the entity to utilise those cash flows. AASB 107 *Cash Flow Statements* sets out requirements for the presentation of the cash flow statement and related disclosures.

Notes

Structure

103. The notes shall:

(a) present information about the basis of preparation of the financial report and the specific accounting policies used in accordance with paragraphs 108-115;

(b) disclose the information required by Australian Accounting Standards that is not presented on the face of the balance sheet, income statement, statement of changes in equity or cash flow statement; and

(c) provide additional information that is not presented on the face of the balance sheet, income statement, statement of changes in equity or cash flow statement, but is relevant to an understanding of any of them.

104. Notes shall, as far as practicable, be presented in a systematic manner. Each item on the face of the balance sheet, income statement, statement of changes in equity and cash flow statement shall be cross referenced to any related information in the notes.

105. Notes are normally presented in the following order, which assists users in understanding the financial report and comparing them with financial reports of other entities:

(a) a statement of compliance with IFRSs (see paragraph 14);

(b) a summary of significant accounting policies applied (see paragraph 108);

(c) supporting information for items presented on the face of the balance sheet, income statement, statement of changes in equity and cash flow statement, in the order in which each statement and each line item is presented; and

(d) other disclosures, including:

(i) contingent liabilities (see AASB 137) and unrecognised contractual commitments; and

(ii) non-financial disclosures, for example the entity's financial risk management objectives and policies (see AASB 132).

Aus105.1 The following items contained in the notes normally precede the items set out in paragraph 105:

(a) a statement that the financial report is a general purpose financial report or special purpose financial report (see paragraph Aus13.4); and

(b) a statement of compliance with Australian Accounting Standards (see paragraph Aus13.2).

106. In some circumstances, it may be necessary or desirable to vary the ordering of specific items within the notes. For example, information on changes in fair value recognised in profit or loss may be combined with information on maturities of financial instruments, although the former disclosures relate to the income statement and the latter relate to the balance sheet. Nevertheless, a systematic structure for the notes is retained as far as practicable.

107. Notes providing information about the basis of preparation of the financial report and specific accounting policies may be presented as a separate component of the financial report.

Disclosure of Accounting Policies

108. An entity shall disclose in the summary of significant accounting policies:

(a) the measurement basis (or bases) used in preparing the financial report; and

(b) the other accounting policies used that are relevant to an understanding of the financial report.

109. It is important for users to be informed of the measurement basis or bases used in the financial report (for example, historical cost, current cost, net realisable value, fair value or recoverable amount) because the basis on which the financial report is prepared significantly affects their analysis. When more than one measurement basis is used in the financial report, for example when particular classes of assets are revalued, it is sufficient to provide an indication of the categories of assets and liabilities to which each measurement basis is applied.

110. In deciding whether a particular accounting policy should be disclosed, management considers whether disclosure would assist users in understanding how transactions, other events and conditions are reflected in the reported financial performance and financial position. Disclosure of particular accounting policies is especially useful to users when those policies are selected from alternatives allowed in Australian Accounting Standards. Some Australian Accounting Standards specifically require disclosure of particular accounting policies, including choices made by management between different policies they allow. For example, AASB 116 requires disclosure of the measurement bases used for classes of property, plant and equipment. AASB 123 *Borrowing Costs* requires disclosure of whether borrowing costs are recognised immediately as an expense or capitalised as part of the cost of qualifying assets.

111. Each entity considers the nature of its operations and the policies that the users of its financial report would expect to be disclosed for that type of entity. For example, an entity subject to income taxes would be expected to disclose its accounting policies for income taxes, including those applicable to deferred tax liabilities and assets. When an entity has significant foreign operations or transactions in foreign currencies, disclosure of accounting policies for the recognition of foreign exchange gains and losses would be expected. When business combinations have occurred, the policies used for measuring goodwill and minority interest are disclosed.

112. An accounting policy may be significant because of the nature of the entity's operations even if amounts for current and prior periods are not material. It is also appropriate to disclose each significant accounting policy that is not specifically required by Australian Accounting Standards, but is selected and applied in accordance with AASB 108.

113. An entity shall disclose, in the summary of significant accounting policies or other notes, the judgements, apart from those involving estimations (see paragraph 116), management has made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognised in the financial report.

114. In the process of applying the entity's accounting policies, management makes various judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the financial report. For example, management makes judgements in determining:

(a) whether financial assets are held-to-maturity investments;

(b) when substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to other entities;

(c) whether, in substance, particular sales of goods are financing arrangements and therefore do not give rise to revenue; and

(d) whether the substance of the relationship between the entity and a special purpose entity indicates that the special purpose entity is controlled by the entity.

115. Some of the disclosures made in accordance with paragraph 113 are required by other Australian Accounting Standards. For example, AASB 127 requires an entity to disclose the reasons why the entity's

ownership interest does not constitute control, in respect of an investee that is not a subsidiary even though more than half of its voting or potential voting power is owned directly or indirectly through subsidiaries. AASB 140 *Investment Property* requires disclosure of the criteria developed by the entity to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business, when classification of the property is difficult.

Key Sources of Estimation Uncertainty

116. An entity shall disclose in the notes information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next annual reporting period. In respect of those assets and liabilities, the notes shall include details of:

(a) their nature; and

(b) their carrying amount as at the reporting date.

117. Determining the carrying amounts of some assets and liabilities requires estimation of the effects of uncertain future events on those assets and liabilities at the reporting date. For example, in the absence of recently observed market prices used to measure the following assets and liabilities, future-oriented estimates are necessary to measure the recoverable amount of classes of property, plant and equipment, the effect of technological obsolescence on inventories, provisions subject to the future outcome of litigation in progress, and long-term employee benefit liabilities such as pension obligations. These estimates involve assumptions about such items as the risk adjustment to cash flows or discount rates used, future changes in salaries and future changes in prices affecting other costs.

118. The key assumptions and other key sources of estimation uncertainty disclosed in accordance with paragraph 116 relate to the estimates that require management's most difficult, subjective or complex judgements. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgements become more subjective and complex, and the potential for a consequential material adjustment to the carrying amounts of assets and liabilities normally increases accordingly.

119. The disclosures in paragraph 116 are not required for assets and liabilities with a significant risk that their carrying amounts might

change materially within the next annual reporting period if, at the reporting date, they are measured at fair value based on recently observed market prices (their fair values might change materially within the next annual reporting period but these changes would not arise from assumptions or other sources of estimation uncertainty at the reporting date).

120. The disclosures in paragraph 116 are presented in a manner that helps users of financial reports to understand the judgements management makes about the future and about other key sources of estimation uncertainty. The nature and extent of the information provided vary according to the nature of the assumption and other circumstances. Examples of the types of disclosures made are:

(a) the nature of the assumption or other estimation uncertainty;

(b) the sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation, including the reasons for the sensitivity;

(c) the expected resolution of an uncertainty and the range of reasonably possible outcomes within the next annual reporting period in respect of the carrying amounts of the assets and liabilities affected; and

(d) an explanation of changes made to past assumptions concerning those assets and liabilities, if the uncertainty remains unresolved.

121. It is not necessary to disclose budget information or forecasts in making the disclosures in paragraph 116.

122. When it is impracticable to disclose the extent of the possible effects of a key assumption or another key source of estimation uncertainty at the reporting date, the entity discloses that it is reasonably possible, based on existing knowledge, that outcomes within the next annual reporting period that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected. In all cases, the entity discloses the nature and carrying amount of the specific asset or liability (or class of assets or liabilities) affected by the assumption.

123. The disclosures in paragraph 113 of particular judgements management made in the process of applying the entity's accounting policies do not relate to the disclosures of key sources of estimation uncertainty in paragraph 116.

124. The disclosure of some of the key assumptions that would otherwise be required in accordance with paragraph 116 is required by other Australian Accounting Standards. For example, AASB 137 requires disclosure, in specified circumstances, of major assumptions concerning future events affecting classes of provisions. AASB 132 requires disclosure of significant assumptions applied in estimating fair values of financial assets and financial liabilities that are carried at fair value. AASB 116 requires disclosure of significant assumptions applied in estimating fair values of revalued items of property, plant and equipment.

Other Disclosures

125. An entity shall disclose in the notes:

(a) the amount of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period, and the related amount per share; and

(b) the amount of any cumulative preference dividends not recognised.

126. An entity shall disclose the following, if not disclosed elsewhere in information published with the financial report:

(a) the domicile and legal form of the entity, its country of incorporation and the address of its registered office (or principal place of business, if different from the registered office);

(b) a description of the nature of the entity's operations and its principal activities; and

(c) the name of the parent and the ultimate parent of the group.

Aus126.1 An entity, other than a group, shall disclose in the financial report, the amounts paid or payable to:

(a) the auditor of the entity for an audit or a review of the financial reports 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.

Aus126.2 The following information shall be disclosed in the financial report of 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 report 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 reports 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.

Aus126.3 An entity dependent on another entity for a significant volume of revenue or financial support and that dependency is not clearly discernible from a separate line item in the income statement or balance sheet shall disclose:

(a) the name of the entity on which there is an economic dependency; and

(b) the nature of that economic dependency.

Aus126.4 **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.

Aus126.5 **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.

Aus126.6 **An entity shall disclose in the notes the impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period.**

Aus126.7 **An entity shall disclose the nature and amount of each individual and each class of capital commitments and of other expenditure commitments contracted for as at the reporting date, other than commitments for the supply of inventories, which have not been recognised as liabilities.**

The disclosures shall be made in the following time bands, according to the time that is expected to elapse from the reporting date to their expected date of settlement:

(a) within twelve months;

(b) twelve months or longer and not longer than five years; and

(c) longer than five years.

Effective Date of IAS 1

127. [Deleted by the AASB]

Withdrawal of IAS 1 (revised 1997)

128. [Deleted by the AASB]

APPENDIX – ILLUSTRATIVE FINANCIAL REPORT STRUCTURE

This appendix has been added by the AASB and is an integral part of AASB 101.

A1. The Standard sets out the components of financial reports and minimum requirements for disclosure on the face of the balance sheet and the income statement as well as the presentation of changes in equity. It also describes further items that may be presented either on the face of the relevant financial statement or in the notes. This Appendix presents simple illustrative examples for a balance sheet, income statement and statement of changes in equity that meet the requirements of this Standard. Further guidance and examples is provided in the Australian Guidance on Implementing AASB 101. In accordance with paragraphs Aus69.1, Aus83.1 and Aus97.1 of the Standard, an entity is encouraged to adopt one of the formats presented in this Appendix unless an alternative format is more relevant in understanding the entity's financial position, financial performance or movements in equity. The order of presentation and the descriptions used for line items should be changed when necessary in order to achieve a fair presentation in each entity's particular circumstances.

A2. Part A presents two balance sheet formats – one prepared on a current/non-current basis, and the other prepared on the basis of order of liquidity.

A3. Part B presents a basic income statement format.

A4. Part C presents a statement of changes in equity showing only non-owner changes in equity on the face.

A5. The examples are not intended to illustrate all aspects of Australian Accounting Standards, including the presentation requirements for specific industries or activities. Nor do they comprise a complete financial report, which would also include a cash flow statement, a summary of significant accounting policies and other explanatory notes.

Part A. Illustrative Balance Sheet Structure

Example 1 Current/Non-current Presentation

XYZ Group Limited
Balance Sheet[1]
as at 30 June 20-2

	Consolidated		Parent	
	20-2	**20-1**	**20-2**	**20-1**
	$'000	**$'000**	**$'000**	**$'000**
ASSETS				
Current Assets				
Cash and cash equivalents	X	X	X	X
Trade receivables	X	X	X	X
Inventories	X	X	X	X
Other current assets	X	X	X	X
	X	X	X	X
Non-current assets classified as held for sale[2]	X	X	X	X
Total Current Assets	X	X	X	X
Non-current Assets				
Available-for-sale investments	X	X	X	X
Other financial assets	X	X	X	X
Investments in associates	X	X	X	X
Deferred tax assets	X	X	X	X
Property, plant and equipment	X	X	X	X
Goodwill	X	X	X	X
Other intangible assets	X	X	X	X
Other non-current assets	X	X	X	X
Total Non-current Assets	X	X	X	X
Total Assets	X	X	X	X

1 This balance sheet is prepared on a current/non-current basis and can be applied to all entities unless a balance sheet based on the order of liquidity is more relevant. Other Australian Accounting Standards may also contain industry specific presentation requirements.
2 In accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*.

XYZ Group Limited
Balance Sheet
as at 30 June 20-2 (continued)

	Consolidated		Parent	
	20-2	**20-1**	**20-2**	**20-1**
	$'000	**$'000**	**$'000**	**$'000**
LIABILITIES				
Current Liabilities				
Trade and other payables	X	X	X	X
Short-term borrowings	X	X	X	X
Current tax payable	X	X	X	X
Short-term provisions	X	X	X	X
Current portion of long-term borrowings	X	X	X	X
Other current liabilities	X	X	X	X
	X	X	X	X
Liabilities directly associated with non-current assets classified as held for sale[3]	X	X	X	X
Total Current Liabilities	X	X	X	X
Non-current Liabilities				
Long-term borrowings	X	X	X	X
Deferred tax liabilities	X	X	X	X
Long-term provisions	X	X	X	X
Other non-current liabilities	X	X	X	X
Total Non-current Liabilities	X	X	X	X
Total Liabilities	X	X	X	X
Net Assets	X	X	X	X

3 In accordance with AASB 5.

XYZ Group Limited
Balance Sheet
as at 30 June 20-2 (continued)

	Consolidated		Parent	
	20-2	**20-1**	**20-2**	**20-1**
	$'000	**$'000**	**$'000**	**$'000**
EQUITY				
Share capital	X	X	X	X
Other reserves	X	X	X	X
Retained earnings	X	X	X	X
	X	X	X	X
Amounts recognised directly in equity relating to non-current assets classified as held for sale	X	X	X	X
Parent interest	X	X	X	X
Minority interest	X	X	–	–
Total Equity	X	X	X	X

Note: Entities may disclose other assets, liabilities, items of equity and other subtotals in accordance with paragraph 69 of this Standard and in accordance with the requirements of other Australian Accounting Standards. For example, the balance sheet could show total assets equals total liabilities plus total equity.

Example 2 Liquidity Presentation

XYZ Group Limited
Balance Sheet[4]
as at 30 June 20-2

	Consolidated		Parent	
	20-2	**20-1**	**20-2**	**20-1**
	$'000	**$'000**	**$'000**	**$'000**
ASSETS				
Cash and cash equivalents	X	X	X	X
Trade receivables	X	X	X	X
Inventories	X	X	X	X
Available-for-sale investments	X	X	X	X
Other financial assets	X	X	X	X
Investments in associates	X	X	X	X
Deferred tax assets	X	X	X	X
Other assets	X	X	X	X
Property, plant and equipment	X	X	X	X
Goodwill	X	X	X	X
Other intangible assets	X	X	X	X
Other assets	X	X	X	X
	X	X	X	X
Assets classified as held for sale[5]	X	X	X	X
Total Assets	X	X	X	X

4 This balance sheet is prepared based on the order of liquidity and can be applied to all entities unless a balance sheet using a current/non-current classification is more relevant. Other Australian Accounting Standards may also contain industry specific presentation requirements.

5 In accordance with AASB 5.

XYZ Group Limited
Balance Sheet
as at 30 June 20-2 (continued)

	Consolidated		**Parent**	
	20-2	**20-1**	**20-2**	**20-1**
	$'000	**$'000**	**$'000**	**$'000**
LIABILITIES				
Trade and other payables	X	X	X	X
Short-term borrowings	X	X	X	X
Current tax payable	X	X	X	X
Provisions	X	X	X	X
Other liabilities	X	X	X	X
Long-term borrowings	X	X	X	X
Deferred tax liabilities	X	X	X	X
	X	X	X	X
Liabilities directly associated with assets classified as held for sale[6]	X	X	X	X
Total Liabilities	X	X	X	X
Net Assets	X	X	X	X
EQUITY				
Share capital	X	X	X	X
Other reserves	X	X	X	X
Retained earnings	X	X	X	X
	X	X	X	X
Amounts recognised directly in equity relating to non-current assets classified as held for sale	X	X	X	X
Parent interest	X	X	X	X
Minority interest	X	X	–	–
Total Equity	X	X	X	X

6 In accordance with AASB 5.

Part B. Illustrative Income Statement Structure

XYZ Group Limited
Income Statement
for the year ended 30 June 20-2

	Consolidated		Parent	
	20-2	**20-1**	**20-2**	**20-1**
	$'000	**$'000**	**$'000**	**$'000**
Revenue	X	X	X	X
Expenses, excluding finance costs[7]	(X)	(X)	(X)	(X)
Finance costs	(X)	(X)	(X)	(X)
Share of profit of associates[8]	X	X	X	X
Profit before income tax	X	X	X	X
Income tax expense	(X)	(X)	(X)	(X)
Profit from continuing operations	X	X	X	X
Profit (loss) from discontinued operations[9]	X	(X)	X	(X)
Profit for the period	X	X	X	X
Profit attributable to minority interest	X	X	–	–
Profit attributable to members of the parent	X	X	X	X
Basic earnings per share	X	X		
Diluted earnings per share	X	X		
Dividends per share[10]	X	X	X	X

7 Examples of the display of expenses classified by nature and by function for a manufacturing entity and a services entity are shown in the Australian Guidance on Implementing AASB 101.

8 This means the share of associates' profit attributable to the investor, that is, it is after tax and minority interests in the associates.

9 This means profit (loss) from discontinued operations after tax.

10 Dividends per share relating to dividends recognised as distributions to equity holders during the period can be disclosed on the face of the income statement or statement of changes in equity or in the notes (AASB 101.95). AASB 101.125(a) also requires dividends per share relating to dividends proposed or declared before the financial report is authorised for issue but not recognised as a distribution to equity holders during the period to be disclosed in the notes.

Part C. Illustrative Statement of Changes in Equity Structure

XYZ Group Limited
Statement of Changes in Equity
for the year ended 30 June 20-2

	Consolidated		**Parent**	
	20-2	**20-1**	**20-2**	**20-1**
	$'000	**$'000**	**$'000**	**$'000**
Gain/(loss) on revaluation of properties	(X)	X	(X)	X
Available-for-sale investments:				
Valuation gains/(losses) taken to equity	(X)	(X)	(X)	(X)
Transferred to profit or loss on sale	X	(X)	X	(X)
Cash flow hedges:				
Gains/(losses) taken to equity	X	X	X	X
Transferred to profit or loss for the period	(X)	X	(X)	X
Transferred to the initial carrying amount of hedged items	(X)	(X)	(X)	(X)
Exchange differences on translation of foreign operations	(X)	(X)	(X)	(X)
Income tax on items taken directly to or transferred directly from equity	X	(X)	X	(X)
Net income recognised directly in equity	(X)	X	(X)	X
Profit for the period	X	X	X	X
Total recognised income and expense for the period	X	X	X	X
Attributable to:				
Members of the parent	X	X	X	X
Minority interest	X	X	–	–
	X	X	X	X
Effect of changes in accounting policy:				
Members of the parent		(X)		(X)
Minority interest		(X)		–
		(X)		(X)

AUSTRALIAN IMPLEMENTATION GUIDANCE

Australian guidance accompanies, but is not part of, AASB 101.

G1. This guidance provides further examples to the Illustrative Financial Report Structure set out in the Appendix.

G2. Part A presents example notes to the balance sheet.

G3. Part B presents specific illustrative income statements that show expenses by function and by nature for both a manufacturing entity and a services entity, followed by an example note to the income statement.

G4. Part C illustrates notes to the statement of changes in equity presented in the Appendix. These disclosures together with additional disclosures make up the alternative Statement of Changes in Equity format (showing all changes in equity). Note disclosure of dividends paid or provided for is also illustrated.

G5. Part D provides a description of the basis of preparation that an entity may include in its summary of significant accounting policies.

G6. The examples are not intended to illustrate all aspects of Australian Accounting Standards, including the presentation requirements for specific industries or activities. Nor do they comprise a complete financial report, which would also include a cash flow statement, a summary of significant accounting policies and other explanatory notes.

Part A. Balance Sheet

Notes to the Balance Sheet

The illustrations below show how property, plant and equipment and borrowings could be disclosed in the notes when using the current/ non-current balance sheet format. Other methods of presentation, that comply with the disclosure requirements in this Standard, may be more appropriate in the particular circumstances of the entity. These notes do not comprise all disclosures associated with a balance sheet that an entity would present in accordance with the requirements of Australian Accounting Standards.

XYZ Group Limited
Notes to the Financial Statements
as at 30 June 20-2

Note 8 – Non-current Property, Plant and Equipment

	Consolidated		Parent	
	20-2 $'000	20-1 $'000	20-2 $'000	20-1 $'000
Land				
At fair value	X	X	X	X
Total land	X	X	X	X
Land and Buildings				
At cost	X	X	X	X
Accumulated depreciation	(X)	(X)	(X)	(X)
	X	X	X	X
Leasehold improvements				
At cost	X	X	X	X
Accumulated amortisation	(X)	(X)	(X)	(X)
	X	X	X	X
Total buildings	X	X	X	X
Total land and buildings	X	X	X	X
Plant and equipment				
At cost	X	X	X	X
Accumulated depreciation	(X)	(X)	(X)	(X)
	X	X	X	X

	Consolidated		Parent	
	20-2	20-1	20-2	20-1
	$'000	$'000	$'000	$'000
Leased plant and equipment				
At cost	X	X	X	X
Accumulated amortisation	(X)	(X)	(X)	(X)
	X	X	X	X
Total plant and equipment	X	X	X	X
Total non-current property, plant and equipment	X	X	X	X

Note 16 – Borrowings

	Consolidated		Parent	
	20-2	20-1	20-2	20-1
	$'000	$'000	$'000	$'000
Current borrowings				
Unsecured				
Bank overdrafts	X	X	X	X
Bank loans	X	X	X	X
	X	X	X	X
Secured by Mortgage				
Term loans	X	X	X	X
Current portion of long-term borrowings	X	X	X	X
	X	X	X	X
Total current borrowings	X	X	X	X
Non-current borrowings				
Unsecured				
Bank loans	X	X	X	X
Secured by Mortgage				
Non-current portion of long-term borrowings	X	X	X	X
Total non-current borrowings	X	X	X	X
Total borrowings	X	X	X	X

Part B. Income Statement

The income statement in the Appendix on page 54 provides a basic income statement structure. Examples 1(a) – 2(b) in this guidance provide more specific examples of the display of expenses classified by nature and by function for a manufacturing entity and a services entity. Additional disclosure may be necessary to ensure that the presentation is relevant to an understanding of the entity's financial performance. Regardless of whether revenues and expenses are disclosed on the face of the income statement or disclosed in the notes:

(a) the revenues required to be disclosed by paragraph 81(a) (the revenue line item) include all revenues recognised in accordance with AASB 118 *Revenue*, other than any share of the profit or loss of associates and joint ventures accounted for using the equity method or those relating to a discontinued operation; and

(b) the revenues and expenses disclosed on the face of the income statement are reconciled to the detailed categorisation of revenues and expenses unless these disclosures are presented on the face of the income statement.

An entity selects revenues, expenses and subtotals to present on the face of the income statement as to provide reliable and relevant information about the entity's financial performance. For example, on the face of the income statement:

(a) a manufacturer or retailer might disclose revenue from sale of goods and costs of sales, with gross margin as a subtotal;

(b) a financial institution might disclose interest revenue and interest expense with net interest revenue as a subtotal; and

(c) a government department might separate revenues from government sources from operating revenues from non-government sources and expenses in order to identify the net cost of providing services.

An entity engaged in providing services is more likely to classify its expenses by nature than by function. Where a manufacturer or retailer classifies expenses by nature, the change in inventories of finished goods and work in progress during the reporting period represents an adjustment to production or acquisition expenses to reflect the fact that either production or acquisition in excess of sales has increased inventory levels or that sales in excess of production or acquisition have reduced inventory levels. In some instances, an increase in finished goods and work in progress during the reporting period may be presented immediately following revenue. However, this presentation does not imply that such amounts represent revenue.

Any expense or any aggregate of expenses, excluding finance costs and any share of the profit or loss of associates and joint ventures accounted for using the equity method, disclosed on the face of the income statement is reconciled in the notes to the classification of expenses by nature or by function disclosed in accordance with paragraph 88. The reconciliation is appropriate, for example, when the entity discloses depreciation expense on the face of the income statement and classifies expenses by function in the notes in the financial report. In that case, the entity reconciles the expenses disclosed on the face of the income statement with the expense classification by function in the notes. This reconciliation may not be required where the classification of expenses by nature or by function is disclosed on the face of the income statement.

Example 1 Classification of expenses by Nature

(a) Manufacturing entity

XYZ Group Limited
Income Statement
for the year ended 30 June 20-2

	Consolidated		**Parent**	
	20-2	**20-1**	**20-2**	**20-1**
	$'000	**$'000**	**$'000**	**$'000**
Revenue	X	X	X	X
Other income	X	X	X	X
Changes in inventories of finished goods and work in progress	(X)	(X)	(X)	(X)
Work performed by the entity and capitalised	X	X	X	X
Raw materials and consumables used	(X)	(X)	(X)	(X)
Employee benefits expense	(X)	(X)	(X)	(X)
Depreciation and amortisation expense	(X)	(X)	(X)	(X)
Impairment of property, plant and equipment	(X)	(X)	(X)	(X)
Other expenses	(X)	(X)	(X)	(X)
Finance costs	(X)	(X)	(X)	(X)
Share of profit of associates	X	X	X	X
Profit before income tax	X	X	X	X
Income tax expense	(X)	(X)	(X)	(X)
Profit from continuing operations	X	X	X	X
Profit (loss) from discontinued operations	X	(X)	X	(X)
Profit for the period	X	X	X	X
Profit attributable to minority interest	X	X	–	–
Profit attributable to members of the parent	X	X	X	X
Basic earnings per share	X	X		
Diluted earnings per share	X	X		
Dividends per share	X	X	X	X

(b) Services entity

XYZ Group Limited
Income Statement
for the year ended 30 June 20-2

	Consolidated		**Parent**	
	20-2	**20-1**	**20-2**	**20-1**
	$'000	**$'000**	**$'000**	**$'000**
Revenue	X	X	X	X
Other income	X	X	X	X
Employee benefits expense	(X)	(X)	(X)	(X)
Depreciation and amortisation expense	(X)	(X)	(X)	(X)
Fundraising expenses	(X)	(X)	(X)	(X)
Lease expenses	(X)	(X)	(X)	(X)
Other expenses	(X)	(X)	(X)	(X)
Finance costs	(X)	(X)	(X)	(X)
Share of profit of associates	X	X	X	X
Profit before income tax	X	X	X	X
Income tax expense	(X)	(X)	(X)	(X)
Profit from continuing operations	X	X	X	X
Profit (loss) from discontinued operations	X	(X)	X	(X)
Profit for the period	X	X	X	X
Profit attributable to minority interest	X	X	–	–
Profit attributable to members of the parent	X	X	X	X
Basic earnings per share	X	X		
Diluted earnings per share	X	X		
Dividends per share	X	X	X	X

Example 2 Classification of expenses by Function

(a) Manufacturing entity

XYZ Group Limited
Income Statement
for the year ended 30 June 20-2

	Consolidated		**Parent**	
	20-2	**20-1**	**20-2**	**20-1**
	$'000	**$'000**	**$'000**	**$'000**
Revenue	X	X	X	X
Cost of sales	(X)	(X)	(X)	(X)
Gross profit	X	X	X	X
Other income	X	X	X	X
Distribution expenses	(X)	(X)	(X)	(X)
Marketing expenses	(X)	(X)	(X)	(X)
Occupancy expenses	(X)	(X)	(X)	(X)
Administrative expenses	(X)	(X)	(X)	(X)
Other expenses	(X)	(X)	(X)	(X)
Finance costs	(X)	(X)	(X)	(X)
Share of profit of associates	X	X	X	X
Profit before income tax	X	X	X	X
Income tax expense	(X)	(X)	(X)	(X)
Profit from continuing operations	X	X	X	X
Profit (loss) from discontinued operations	X	(X)	X	(X)
Profit for the period	X	X	X	X
Profit attributable to minority interest	X	X	–	–
Profit attributable to members of the parent	X	X	X	X
Basic earnings per share	X	X		
Diluted earnings per share	X	X		
Dividends per share	X	X	X	X

(b) Services entity

XYZ Group Limited
Income Statement
for the year ended 30 June 20-2

	Consolidated		**Parent**	
	20-2	**20-1**	**20-2**	**20-1**
	$'000	**$'000**	**$'000**	**$'000**
Revenue	X	X	X	X
Other income	X	X	X	X
Service A expenses	(X)	(X)	(X)	(X)
Service B expenses	(X)	(X)	(X)	(X)
Service C expenses	(X)	(X)	(X)	(X)
Other expenses	(X)	(X)	(X)	(X)
Finance costs	(X)	(X)	(X)	(X)
Share of profit of associates	X	X	X	X
Profit before income tax	X	X	X	X
Income tax expense	(X)	(X)	(X)	(X)
Profit from continuing operations	X	X	X	X
Profit (loss) from discontinued operations	X	(X)	X	(X)
Profit for the period	X	X	X	X
Profit attributable to minority interest	X	X	–	–
Profit attributable to members of the parent	X	X	X	X
Basic earnings per share	X	X		
Diluted earnings per share	X	X		
Dividends per share	X	X	X	X

Notes to the income statement

The example below shows the separate disclosure of income and expenses. Other methods of presentation that comply with the disclosure requirements in this Standard may be more appropriate in the particular circumstances of the entity. The note does not comprise all disclosures associated with an income statement that an entity would disclose in accordance with the requirements of Australian Accounting Standards.

XYZ Group Limited
Notes to the Financial Statements
as at 30 June 20-2

Note 2 – Profit for the Period

	Consolidated		**Parent**	
	20-2	**20-1**	**20-2**	**20-1**
	$'000	**$'000**	**$'000**	**$'000**
Profit or loss has been arrived at after charging (crediting) the following items:				
Amortisation expense	X	X	X	X
Depreciation expense	X	X	X	X
Bad and doubtful debts expense	X	X	X	X
Write-down of inventories to net realisable value	X	X	X	X
Write-down / (reversal of write-down) of equipment to recoverable amount	X	(X)	X	(X)
(Gain) / loss on disposal of plant	(X)	X	(X)	X
Net foreign exchange (gain) / loss	(X)	X	(X)	X

Part C. Statement of Changes in Equity

Notes to the Statement of Changes in Equity

When an entity presents changes in equity using the Statement of Changes in Equity illustrated in the Appendix on page 55, an entity makes the disclosures required by paragraph 97 of the Standard that includes a reconciliation of opening and closing balances of share capital, retained earnings and other reserves in the notes. These disclosures are illustrated in Example 1. Other methods of presentation that comply with the disclosure requirements in this Standard may be more appropriate in the particular circumstances of the entity. The note does not comprise all disclosures associated with changes in equity that an entity may need to disclose in accordance with the requirements of Australian Accounting Standards.

Example 2 illustrates disclosure requirements where an entity prepares a Statement of Changes in Equity showing all changes in equity. Example 3 illustrates a note to a statement of changes in equity showing the disclosure of dividends paid or provided for.

Example 1 – Note 14 – Movements in Equity

	Consolidated		**Parent**	
	20-2	**20-1**	**20-2**	**20-1**
	$'000	**$'000**	**$'000**	**$'000**
SHARE CAPITAL				
Ordinary shares				
Balance at start of period	X	X	X	X
Issue of share capital	–	X	–	X
Share issue costs	–	(X)	–	(X)
Issue of share capital under a Dividend Reinvestment Plan	X	X	X	X
Share options exercised	–	X	–	X
Share buy-back	–	(X)	–	(X)
Total Share Capital	X	X	X	X
RESERVES				
Asset Revaluation Reserve				
Balance at start of period	X	X	X	X
Gain/(loss) on property revaluation	(X)	X	(X)	X
Total for the period	(X)	X	(X)	X
Balance at end of period	X	X	X	X

	Consolidated		Parent	
	20-2	**20-1**	**20-2**	**20-1**
	$'000	**$'000**	**$'000**	**$'000**
Translation Reserve				
Balance at start of period	X	X	X	X
Exchange differences on translating foreign operations	(X)	(X)	(X)	(X)
Total for the period	(X)	(X)	(X)	(X)
Balance at end of period	(X)	X	(X)	X
Other Reserves[1]				
Balance at start of period	X	(X)	X	(X)
Available-for-sale investments:				
Valuation gains/(losses) taken to equity	(X)	(X)	–	–
Transferred to profit or loss on sale	X	(X)	–	–
Cash flow hedges:				
Gain/(losses) taken to equity	X	X	X	X
Transferred to profit or loss for the period	(X)	X	(X)	X
Transferred to initial carrying amount of hedged items	(X)	(X)	–	–
Total for the period	(X)	X	(X)	X
Balance at end of period	X	X	X	X
Total Reserves	X	X	X	X
RETAINED EARNINGS				
Balance at start of period	X	X	X	X
Changes in accounting policy	–	(X)	–	(X)
Restated balance	X	X	X	X
Profit for the period	X	X	X	X
Total for the period	X	X	X	X
Dividends	(X)	(X)	(X)	(X)
Balance at end of period	X	X	X	X

1 Other reserves are analysed into their components, if material.

Example 2 – Additional disclosures for a Statement of Changes in Equity showing all changes in equity

Where the entity presents a Statement of Changes in Equity showing all changes in equity, an entity would be required to disclose the information disclosed in Example 1 – Note 14 "Movements in Equity" (see above) and:

(a) the total of income and expenses for the period that have been recognised directly in equity;

(b) the total income and expense for the period (calculated as the sum of paragraphs 96(a) and (b)), showing separately the amounts attributable to equity holders of the parent and to the minority interest; and

(c) for each component of equity, the effects of changes in accounting policies and corrections of errors recognised in accordance with AASB 108.

The additional disclosures may be presented as follows:

	Consolidated		**Parent**	
	20-2	**20-1**	**20-2**	**20-1**
	$'000	**$'000**	**$'000**	**$'000**
Net income recognised directly in equity	(X)	X	(X)	X
Profit for the period	X	X	X	X
Total recognised income and expense for the period	X	X	X	X
Attributable to:				
Equity holders of the parent	X	X	X	X
Minority interest	X	X	–	–
	X	X	X	X
Effect of changes in accounting policy:				
Equity holders of the parent	–	(X)	–	(X)
Minority interest	–	(X)	–	–
	–	(X)	–	(X)

Example 3 – Note 26 – Dividends Paid or Provided For on Ordinary Shares

(i) Dividends Paid or Provided for

	Consolidated		**Parent**	
	20-2	**20-1**	**20-2**	**20-1**
	$'000	**$'000**	**$'000**	**$'000**
Dividends paid or provided for during the reporting period				
Current year interim				
Franked dividends	X	X	X	X
	X	X	X	X
Previous year final				
Franked dividends	X	X	X	X
Dividends proposed and not recognised as a liability				
Franked dividends	X	X	X	X

(ii) Dividends per share

	Consolidated		**Parent**	
	20-2	**20-1**	**20-2**	**20-1**
Dividends paid or provided for during the reporting period				
Current year interim				
Franked dividends – cents per share	X	X	X	X
Previous year final				
Franked dividends – cents per share	X	X	X	X
	X	X	X	X
Dividends proposed and not recognised as a liability				
Franked dividends – cents per share	X	X	X	X

(iii) Franking account balance

	Consolidated		Parent	
	20-2	**20-1**	**20-2**	**20-1**
	$'000	**$'000**	**$'000**	**$'000**
The amount of franking credits available for the subsequent annual reporting period are:				
– franking account balance as at the reporting date at 30% (20-1: 30%)			X	X
– franking credits that will arise from the payment of income tax payable as at the reporting date			X	X
– franking debits that will arise from payment of dividends provided for at the reporting date			(X)	(X)
– franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date			X	X
Amount of franking credits available for future reporting periods			X	X
– impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period			(X)	(X)
			X	X

Part D. Summary of significant accounting policies

AASB 101.Aus13.2-Aus14.1 and 108(a) require an entity to disclose:

(a) whether the financial report has been prepared in accordance with Australian Accounting Standards;

(b) whether the financial report is a general purpose financial report or a special purpose financial report;

(c) a statement of compliance with IFRSs (where relevant); and

(d) the measurement basis (or bases) used in preparing the financial report.

Example 1 illustrates alternative statements of compliance with IFRSs depending on the entity's circumstances (see AASB 101.14 – Aus14.3).

Example 2 illustrates a disclosure format that may be suitable for a for-profit entity. Disclosure of a statement of compliance with IFRSs may not be relevant for not-for-profit entities where not-for-profit requirements in specific Australian Accounting Standards are inconsistent with IFRSs (see AASB 101.Aus14.3). Example 2 does not illustrate all disclosures relating to accounting policies required in accordance with Australian Accounting Standards.

Example 1 – Statement of Compliance with IFRSs

(i) Financial Report complies with IFRSs

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (IFRS). Compliance with the Australian equivalents to IFRSs ensures that the financial report, comprising the group's financial statements and notes [where applicable] and the parent entity financial statements and notes of [name of entity], complies with IFRSs.

(ii) Only consolidated financial statements and notes comply with IFRSs

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (IFRS). Compliance with the Australian equivalents to IFRSs ensures that the consolidated financial statements and notes of [name of group] comply with IFRSs. The parent financial statements and notes also comply with IFRSs except for the disclosure requirements in AASB 132 *Financial Instruments: Presentation and Disclosure* [or state relevant Standard] because the parent has elected to apply the relief provided to the parent by that Standard in respect of certain disclosure requirements.

Example 2 – Note 1 – Summary of Significant Accounting Policies

Basis of Preparation

The financial report has been prepared as a general purpose financial report and complies with the requirements of the *Corporations Act* [or other regulatory framework] and Australian Accounting Standards.

[Insert appropriate statement of compliance (if applicable)]

The financial report has been prepared on the historical cost basis, except for:

- plant and equipment where cost was deemed to be fair value at the date of transition to Australian equivalents of IFRSs;
- the revaluation of land through a revaluation reserve;
- the revaluation of available-for-sale investment securities through an equity reserve; and
- financial assets and financial liabilities fair valued through profit and loss.

The carrying values of recognised assets and liabilities that are hedged are adjusted to record changes in the fair value attributable to the risks that are being hedged.

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DIFFERENCES BETWEEN AASB 101 AND AASB 1001, AASB 1018, AASB 1034 & AASB 1040

This analysis of differences accompanies, but is not part of, AASB 101.

This section identifies differences between AASB 101 *Presentation of Financial Statements* and AASB 1001 *Accounting Policies*, AASB 1018 *Statement of Financial Performance*, AASB 1034 *Financial Report Presentation and Disclosures* & AASB 1040 *Statement of Financial Position* under the following headings.

A: Incompatibilities between AASB 1001, AASB 1018, AASB 1034 & AASB 1040 and AASB 101

B: AASB 1001, AASB 1018, AASB 1034 & AASB 1040 are more detailed or restrictive

C: AASB 101 is more detailed or restrictive

D: AASB 1001, AASB 1018, AASB 1034 & AASB 1040 disclosures are more extensive

E: AASB 101 disclosures are more extensive

The analysis of differences should not be taken as providing an exhaustive list of differences.

Introduction

AASB 101 and AASB 1018, AASB 1034 and AASB 1040 prescribe basic aspects of the presentation of financial reports, including an overall framework for the presentation of financial reports, guidelines for their structure and the minimum content. AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* complements AASB 101 by prescribing the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and correction of prior period errors.[1]

AASB 101 and AASB 1018 and AASB 1040 specify minimum items to be presented on the face of the income statement and balance sheet and provide guidance for the identification of additional line items. AASB 101 also specifies the minimum items to be presented on the face of the statement of

1 AASB 107 *Cash Flow Statements* and AASB 1026 *Statement of Cash Flows* require an entity to present a statement of cash flows.

changes in equity, and specifies items that an entity can present either on the face of the statement of changes in equity or in the notes.

Differences

A. Incompatibilities between AASB 1001, AASB 1018, AASB 1034 & AASB 1040 and AASB 101

A.1 Fair Presentation

AASB 101.13 states that the application of the requirements in Australian Accounting Standards, with additional disclosure when necessary, is presumed to result in a financial report that achieves a fair presentation. AASB 101.21 contemplates extremely rare circumstances in which management concludes that compliance with a specific requirement in an Australian Accounting Standard would be misleading. AASB 101.21 requires specific disclosures to be made in such circumstances. AASB 101.22 provides further guidance on departing from a specific requirement of an Australian Accounting Standard to achieve a fair presentation. In contrast, AASB 1001 does not contemplate the existence of circumstances in which the application of the requirements in Australian Accounting Standards would result in a financial report that does not achieve a fair presentation.

A.2 Extraordinary items

AASB 1018.5.3 requires all revenues and expenses recognised in profit or loss to be classified as arising from ordinary activities unless they are extraordinary items, which are presented separately. Extraordinary items are defined in AASB 1018.8.1 as "items of revenue and expense that are attributable to transactions or other events of a type that are outside the ordinary activities of the entity and are not of a recurring nature". AASB 101.85 specifically prohibits an entity from presenting any items of income and expense as extraordinary items, either on the face of the income statement or in the notes.

A.3 Non-current liabilities

AASB 1040.4.5-4.5.3 requires an entity to classify a long-term interest-bearing liability as non-current, where the entity is committed to refinance or reschedule payments prior to the time of completion of the financial report. AASB 101.63-64 requires a financial liability that is due within twelve months after the reporting date, or for which the entity does not have an unconditional right to defer its settlement for at least twelve months after the reporting date, to be classified as a current liability. This classification is required even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date and before the financial report is authorised for issue. However, this requirement does not affect the classification of a liability as non-current when the entity has, under the terms of an existing loan facility, the discretion to refinance or roll over its obligations for at least twelve months after the reporting date.

A.4 Non-current liability where a covenant is breached

Where a covenant is breached, AASB 1040.4.6 requires a liability to be classified as non-current when it meets all the following conditions:

- the lender has agreed, prior to the time of completion of the financial report, not to demand payment as a consequence of the breach;
- it is not probable that further breaches will occur within twelve months of the reporting date; and
- in the absence of the breach, the liability would not have been due for settlement within twelve months of the reporting date.

In contrast, AASB 101.65 requires the liability to be classified as current at the reporting date even if, after the reporting date, and before the financial report is authorised for issue, the lender has agreed not to demand payment as a consequence of the breach. However, AASB 101.66 requires the liability to be classified as non-current if the lender agreed by the reporting date to provide a period of grace ending at least twelve months after the reporting date. In this context, a period of grace is a period within which the entity can rectify the breach and during which the lender cannot demand immediate repayment.

B. AASB 1001, AASB 1018, AASB 1034 & AASB 1040 are more detailed or restrictive

B.1 Going concern basis not applied

AASB 1001.7.1.3 identifies that where the going concern basis is not applied the liquidation basis is generally appropriate for use in the preparation of the financial report. AASB 101.24 requires that, where the going concern basis is not applied, the basis on which the financial report is prepared be disclosed. AASB 101 does not make any specific statement regarding the general appropriateness of applying the liquidation basis when the going concern basis is not applied.

B.2 Going concern – uncertainty

AASB 1001.8.2.1-8.2.2 provides examples of both a material uncertainty related to an event or a condition casting doubt upon an entity's ability to continue as a going concern and a non-exhaustive list of disclosure items. AASB 101 does not provide this level of guidance.

B.3 Balance sheet presentation

AASB 1040.4.1-4.2 requires all assets and all liabilities to be categorised either as current or as non-current except where a liquidity presentation provides more relevant and reliable information than the current/non-current presentation. AASB 101.51 requires an entity to present current and non-current assets, and current and non-current liabilities on the face of the balance sheet except where a presentation based on liquidity provides information that is reliable and more relevant. AASB 101.55 notes that in applying the requirement of AASB 101.51, an entity is permitted to present some of its assets and liabilities using a current/non-current classification and others in order of liquidity when this provides information that is reliable and more relevant. AASB 101.55 includes an entity with diverse operations as an example of when a mixed presentation may be appropriate. AASB 1040 does not permit a mixed presentation format.

B.4 Classification – nature or function

AASB 1040.5.1-5.2 requires assets to be classified according to their nature or function and liabilities to be classified according to their nature. AASB 1040.5.1.1-5.2.1 comments that the classification of assets and liabilities on the basis of their nature or function may be made according to one or more of the following factors:

- asset classification: liquidity, marketability, physical characteristics, the expected timing of the associated cash flows, and the normal purpose for which they are used;

- liability classification: liquidity, the extent to which they are secured or guaranteed, expected timing of settlement, attached source and conditions.

AASB 101.72-73 provides less guidance for the classification of assets and liabilities.

B.5 Recycling

All items of revenue, expense and valuation adjustments recognised in a reporting period as changes in equity in accordance with AASB 1018.4.3 are prohibited from subsequently being reversed (AASB 1018.4.4) out of that component of the statement of financial performance and recognised in the determination of profit or loss in subsequent reporting periods. That is, AASB 1018 prohibits so-called "recycling". AASB 101 does not provide direction on this issue, however, recycling is clearly permitted because:

- AASB 121 *The Effects of Changes in Foreign Exchange Rates* paragraph 48 requires the recycling of the cumulative amount of a foreign currency translation reserve on translation of a foreign operation, and in profit or loss in the reporting period in which the foreign operation is disposed of;

- AASB 121.32 and AASB 139 *Financial Instruments: Recognition and Measurement* paragraph 102 require the gain or loss on the effective portion of a hedging instrument relating to a net investment in a foreign operation that has been recognised directly in equity to be recognised in profit or loss on disposal of the foreign operation; and

- AASB 139.95-101 require gains and losses on cash flow hedges recognised directly in equity to be recycled into profit or loss in certain circumstances.

B.6 Prohibition of alternative statement

AASB 1018.4.5 prohibits an entity from including in their financial report a statement of financial performance where that statement is not in accordance with an Australian Accounting Standard.

B.7 Inclusion of additional line items, subheadings and subtotals

AASB 101.83 requires an entity to present additional line items, subheadings and subtotals on the face of the income statement when necessary for an understanding of the entity's financial performance. AASB 1018.4.2 contains the same requirement. However, AASB 1018.4.2 contains restrictions on the presentation of additional subtotals including:

- any additional subtotals must be presented before the profit or loss from ordinary activities before income tax expense subtotal;

- any additional subtotals must be presented less prominently than required subtotals; and

- any additional subtotal referring to profit or loss is not presented immediately before specific revenues or expenses disclosed on the face of the statement of financial performance because they are of a size, nature or incidence that its disclosure is relevant in explaining the financial performance of the entity for the reporting period and its disclosure is not otherwise required by an Australian Accounting Standard.

C. AASB 101 is more detailed or restrictive

C.1 Comparative information

AASB 1034.7.1 and AASB 1034.7.4 provide relief from disclosing financial information for the preceding reporting period that corresponds to the disclosures required by an Australian Accounting Standard for the current reporting period, except where:

- the entity applied a superseded version of that Australian Accounting Standard in the preceding corresponding reporting period, to the extent that the superseded Standard did not require disclosure of information that corresponds to the information required to be disclosed by the current Standard; or

- the entity did not apply either the current Standard or a superseded version of the current Standard in the preceding corresponding reporting period.

AASB 101.36 requires comparative information to be disclosed in respect of the preceding period for all amounts reported in the financial report, except when an Australian Accounting Standard permits or requires otherwise.

D. AASB 1001, AASB 1018, AASB 1034 & AASB 1040 disclosures are more extensive

D.1 Specified items recognised in profit or loss

AASB 1018.5.6 mandates the disclosure of specified items (before income tax) that are recognised in profit or loss. In contrast, AASB 101 does not specifically require the disclosure of the following items:

- the net gain or loss on the disposal of receivables and intangible assets not measured at net market value; and

- separately, the net increment and/or decrement arising from the revaluation of each class of non-current assets recognised in accordance with AASB 1041 *Revaluation of Non-Current Assets*.

D.2 Material effect of a change in accounting policy

AASB 1001.8.5 requires an entity to disclose in respect of a change in an accounting policy made in the preceding financial year that did not have a material effect in that financial year but has a material effect in the current financial year:

- the nature and reason for the change;
- that the change was made in the preceding financial year; and
- the financial effect of the change in the current financial year.

D.3 Land for resale

In respect of land held primarily for sale, AASB 1040.8.1(f) requires an entity to disclose:

- the cost of acquisition of the land;
- costs in developing the land which have been recognised as part of its carrying amount;
- other costs which have been recognised as part of the carrying amount of the land; and
- the carrying amount of the land.

D.4 Investment in entities

AASB 1040.8.1(g) requires an entity that has an investment in an entity, which is neither a subsidiary nor an interest in an entity accounted for using the equity method to disclose:

- the name of the entity;
- its principal activities;
- the percentage ownership interest held in the entity; and
- the carrying amount of the investment.

D.5 Calls on winding up of an entity

AASB 1040.8.5(a)(vii) requires an entity to disclose in respect of each class of shares on issue as at the reporting date and recognised as equity, the amount that may be called up in the event of winding up of the entity or any entity within the group.

D.6 Employee Numbers

AASB 1034.5.1(d) requires an entity to disclose either the number of employees at the reporting date or the average number of employees during the reporting period.

E. AASB 101 disclosures are more extensive

E.1 Assumptions and methods

AASB 101.113 requires an entity to disclose the judgements, apart from those involving estimations, management has made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognised. AASB 101.114-115 provide further guidance in applying this requirement. In contrast, AASB 1001.8.1.4 comments that to assist users' grasp of the accounting policies applied, it is useful to disclose information about the assumptions made in determining the policies and the methods adopted in applying them.

E.2 Auditor remuneration

AASB 1034.5.3 requires the amount of auditor remuneration, including remuneration paid to the auditor for non-audit services to be disclosed in the financial report. AASB 101.Aus126.1-Aus126.2 expands on the AASB 1034.5.3 requirements by specifically requiring the nature and amount of each category of non-audit services provided by the auditor to be disclosed.

E.3 Discontinued operations

AASB 101.81(e) requires an entity to disclose on the face of the income statement a single amount comprising of (i) the post-tax profit or loss of discontinued operations and (ii) the post-tax gain or loss recognised on the measurement to fair values less costs to sell or on the disposal of the assets of disposal group(s) constituting the discontinued operation.

E.4 Key sources of estimation uncertainty

AASB 101.116 requires the disclosure of key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next annual reporting period.