

Accounting Standard

AASB 1039
June 2002

Concise Financial Reports



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Standards are printed in bold type and commentary in light type.

MAIN FEATURES OF THE STANDARD

The Standard:

- (a) applies to concise financial reports prepared by those companies, disclosing entities and registered schemes that elect, under section 314 of the Corporations Act, to send their members a concise report, that includes a concise financial report for the year, instead of an annual report that includes the financial report for the year;
- (b) specifies the minimum content of a concise financial report;
- (c) does not require parent entity financial information to be included when consolidated financial information is provided;
- (d) requires that the financial statements and specific disclosures in a concise financial report be derived from the financial report of the entity and that any other information included in a concise financial report be consistent with the financial report of the entity;
- (e) requires the inclusion of the statement of financial performance, statement of financial position and statement of cash flows, as presented in the financial report of the entity;
- (f) requires that the financial statements be accompanied by discussion and analysis;
- (g) requires specific disclosures related to the going concern basis, sales revenue, segments, dividends, earnings per share, extraordinary items, events occurring after reporting date and changes in accounting policies and estimates; and
- (h) requires that the limited and derivative nature of a concise financial report be described in a prominent note.

ACCOUNTING STANDARD AASB 1039

The Australian Accounting Standards Board makes Accounting Standard AASB 1039 “Concise Financial Reports” under section 334 of the *Corporations Act 2001*.

Dated 13 June 2002

F.K. Alfredson
Chairman – AASB

ACCOUNTING STANDARD AASB 1039 “CONCISE FINANCIAL REPORTS”

1 Application

1.1 This Standard applies to a concise financial report prepared by an entity in accordance with paragraph 314(2)(a) in Part 2M.3 of the Corporations Act.

1.1.1 Under the Corporations Act a company, registered scheme or disclosing entity can elect to send to its members for a financial year a concise report, which includes a concise financial report instead of the financial report.

1.2 Where an entity is the parent entity in an economic entity, this Standard applies to the consolidated financial statements of the entity and the notes to those statements, and does not require that parent entity financial information be provided.

1.2.1 If the entity provides parent entity financial information in addition to consolidated financial information, the parent entity financial information is also subject to the requirements of this Standard.

1.3 Notwithstanding the application requirements in Accounting Standard AASB 1031 “Materiality”, the disclosures required in this Standard are subject to the requirements of AASB 1031.

1.3.1 As this Standard applies to a wider range of entities than does AASB 1031, paragraph 1.3 of this Standard clarifies that the requirements of AASB 1031 are applicable to all concise financial reports prepared under this Standard, even for those entities that would not otherwise be subject to AASB 1031.

2 Operative Date

- 2.1 **This Standard applies to annual reporting periods ending on or after 30 June 2002.**
- 2.2 **This Standard may be applied to annual reporting periods ending before 30 June 2002 where an election has been made in accordance with subsection 334(5) of the Corporations Act.**
- 2.3 **When applied or operative, this Standard supersedes Accounting Standard AASB 1039 “Concise Financial Reports” as approved by notice published in the *Commonwealth of Australia Gazette* No S 578 on 8 December 1998.**
- 2.3.1 Notice of this Standard was published in the *Commonwealth of Australia Gazette* on 14 June 2002.

3 Purpose of Standard

- 3.1 **The purpose of this Standard is to specify the minimum content of a concise financial report.**
- 3.1.1 The requirements of the Corporations Act relating to concise financial reports are based on the view that a concise financial report can provide members with information relevant to evaluating the business, without giving them fully detailed accounting disclosures. For some members, the provision of less detailed information is expected to be sufficient to meet their needs for an understanding of the financial performance, financial position and financing and investing activities of the company, registered scheme or disclosing entity.
- 3.1.2 The minimum content required by this Standard is intended also to provide sufficient information to permit members to identify if and when they consider it would be useful to obtain more comprehensive and detailed information by requesting a copy of the financial report.

4 Preparation and Presentation

- 4.1 **The financial statements and specific disclosures (identified in Section 6 of this Standard) required in a concise financial report must be derived from the financial report of the entity. Any other information included in a concise financial report must be consistent with the financial report of the entity.**

- 4.1.1 In order to achieve consistency and comparability with information included in the financial report, this Standard requires the accounting policies relating to recognition and measurement applied in the preparation of a concise financial report to be the same as those adopted in the preparation of the financial report.
- 4.1.2 This Standard prescribes the minimum information to be disclosed in a concise financial report but does not prescribe the format in which that information is presented. The format for the presentation of information in a concise financial report is developed having regard to the particular circumstances of the entity and the presentation of relevant, reliable, understandable and comparable information about the entity's financial performance, financial position and financing and investing activities. Entities are encouraged to develop a format that best meets the information needs of their members.
- 4.1.3 The consistency required by paragraph 4.1 means that information voluntarily included in the concise financial report is determined in accordance with the treatment adopted in the financial report. When the information in the financial report was determined in accordance with an Accounting Standard, the same treatment is adopted in the concise financial report.
- 4.1.4 The content of a concise financial report specified in this Standard constitutes the minimum level of disclosure. Where there are particular features of the operations and activities of the entity that are significant, the entity may provide additional information in the concise financial report. Disclosure of the nature and estimated magnitude of particular items would be expected if it was likely that the concise financial report would be misleading without such disclosure. The following examples illustrate additional disclosures that would be likely to benefit members:
- (a) the provision of information relating to investments in associates and/or joint ventures when those activities are significant to the activities of the entity;
 - (b) the potential impact of discontinuing operations and of contingent liabilities, such as legal claims that are being contested; and
 - (c) the magnitude of write-downs arising from impairments of assets.

Similarly, members benefit from industry-specific disclosures, for example, disclosure of additional information by mining companies

in relation to exploration and evaluation expenditure and decommissioning costs, and by banks and other financial institutions in relation to doubtful debts.

5 Financial Statements

5.1 A concise financial report must include the following financial statements:

- (a) a statement of financial performance for the financial year;**
- (b) a statement of financial position as at the end of the financial year; and**
- (c) a statement of cash flows for the financial year.**

5.2 Each financial statement must be presented as in the financial report, in accordance with other Accounting Standards, except for the omission of cross-references to notes to the financial statements in the financial report.

- 5.2.1 All the notes to the financial statements required by other Accounting Standards are not required in the concise financial report. For example, disclosure of the reconciliation between the statement of financial performance and the statement of cash flows is not required by this Standard.
- 5.2.2 It is recommended that the financial statements in the concise financial report be cross-referenced, where appropriate, to disclosures included in the concise financial report.
- 5.2.3 When the entity is a parent entity and only the consolidated financial statements are presented, the lack of financial statements for the parent entity would not be regarded as contravening paragraph 5.2.

5.3 The financial statements must be accompanied by discussion and analysis to assist the understanding of members.

- 5.3.1 The information reported in the financial statements will be enhanced by a discussion and analysis of the principal factors affecting the financial performance, financial position and financing and investing activities of the entity. The extent of the discussion and analysis provided will vary from entity to entity, and from year to year, as is necessary in the circumstances to help compensate for

the brevity of the concise financial report compared with the financial report.

5.3.2 In most situations, the content of the discussion and analysis would cover at least the following areas:

- (a) in relation to the statement of financial performance:
 - (i) trends in revenues;
 - (ii) the effects of significant economic or other events on the operations of the entity;
 - (iii) the main influences on costs of operations; and
 - (iv) measures of financial performance such as return on sales, return on assets and return on equity;
- (b) in relation to the statement of financial position:
 - (i) changes in the composition of assets;
 - (ii) the relationship between debt and equity; and
 - (iii) significant movements in assets, liabilities and equity items; and
- (c) in relation to the statement of cash flows:
 - (i) changes in cash flows from operations;
 - (ii) financing of capital expenditure programs; and
 - (iii) servicing and repayment of borrowings.

6 Specific Disclosures

6.1 When the entity has prepared its financial report on the basis that the entity is not a going concern, or where the going concern basis has become inappropriate after reporting date, this fact must be disclosed.

6.2 The following information must be disclosed for each primary segment identified in the financial report in accordance with Accounting Standard AASB 1005 “Segment Reporting”:

- (a) segment revenue, distinguishing between revenues from sales to external customers and revenues from transactions with other segments;
- (b) segment result;
- (c) segment assets; and
- (d) segment liabilities.

6.3 The following items must be disclosed even if the amounts are zero (since these items are material by their nature):

- (a) the amount of sales revenue recognised and included in revenue in accordance with Accounting Standard AASB 1004 “Revenue”;
- (b) the amount of dividends, in aggregate and per share, identifying:
 - (i) dividends paid and date of payment; and
 - (ii) any liability for dividends declared, determined or publicly recommended, and the expected date of payment;
- (c) where dividends have been paid during the financial year or are recognised as a liability at the end of the financial year, the amount, in aggregate and per share, of those dividends that:
 - (i) have been or will be franked and the tax rate at which those dividends have been or will be franked; and
 - (ii) have not been or will not be franked; and
- (d) where the entity is required to comply with Accounting Standard AASB 1027 “Earnings per Share”, the amount of basic earnings per share and diluted earnings per share.

6.4 The following items must be disclosed:

- (a) the nature and amount of each extraordinary item and the applicable income tax expense (income tax revenue);

- (b) **in respect of each event occurring after reporting date that does not relate to conditions existing at reporting date, the information required by paragraph 5.1 of Accounting Standard AASB 1002 “Events Occurring After Reporting Date”; and**
- (c) **where there is a change in accounting policy or estimates from those used in the preceding financial year which has a material effect in the current financial year or is expected to have a material effect in a subsequent financial year, the information required about such a change by the relevant Accounting Standards applicable to the current financial year.**

7 Relationship to Financial Report

7.1 The concise financial report must prominently display advice to the effect that:

- (a) **the financial statements and specific disclosures included in the concise financial report have been derived from the financial report; and**
- (b) **the concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the entity as the financial report.**

7.1.1 It is recommended that the advice required by paragraph 7.1 appear on the first page of the concise financial report.

7.1.2 It is recommended that the concise financial report conclude with the advice that further financial information can be obtained from the financial report and that this is available, free of charge, on request to the entity.

8 Comparative Information

8.1 Information for the preceding corresponding financial year which corresponds to the disclosures made in accordance with this Standard for the current financial year must be disclosed except when comparative information is not required to be disclosed in the financial report.

- 8.1.1 Any requirements relating to comparative information in other Accounting Standards that have been adopted in the preparation of the financial report are applicable in this Standard.
- 8.1.2 When disclosure is not required with respect to the current financial year for an item in Section 6 of this Standard but was required in the preceding financial year, it is still necessary to disclose the comparative information.

9 Definitions

- 9.1 In this Standard, technical terms have the same meaning as in the relevant Accounting Standards applied in the preparation of the financial report for the current financial year.**
 - 9.1.1 The terms “concise report” and “concise financial report” have the meanings given in section 314 of the Corporations Act. The terms “members” and “financial report” have the same meanings as in Chapter 2M of the Corporations Act.

BACKGROUND TO REVISION

This section does not form part of the Standard. It is a summary of the reasons for the current revision to the Standard.

- 1 Accounting Standard AASB 1039 “Concise Financial Reports” was first issued in December 1998 following changes to the Corporations Law as introduced in the *Company Law Review Act 1998* (operative 1 July 1998) .
- 2 Chapter 2M of the *Corporations Act 2001* states:

“Division 4—Annual financial reporting to members

314 Annual financial reporting to members

Full or concise report to members

- (1) A company, registered scheme or disclosing entity must report to members for a financial year by either:
 - (a) sending members copies of:
 - (i) the financial report for the year; and
 - (ii) the directors’ report for the year (see sections 298-300); and
 - (iii) the auditor’s report on the financial report; or
 - (b) sending members a concise report for the year that complies with subsection (2).
- (1A) An offence based on subsection (1) is an offence of strict liability. Note: For *strict liability*, see section 6.1 of the *Criminal Code*.

Concise report

- (2) A concise report for a financial year consists of:
 - (a) a concise financial report for the year drawn up in accordance with accounting standards made for the purposes of this paragraph; and
 - (b) the directors’ report for the year (see sections 298-300); and
 - (c) a statement by the auditor:
 - (i) that the financial report has been audited; and
 - (ii) whether, in the auditor’s opinion, the concise financial report complies with the accounting standards made for the purposes of paragraph (a); and
 - (d) a copy of any qualification in, and of any statements included in the emphasis of matter section of, the auditor’s report on the financial report; and
 - (e) a statement that the report is a concise report and that the full financial report and auditor’s report will be sent to the member free of charge if the member asks for them.
- (3) If the accounting standards made for the purposes of paragraph (2)(a) require a discussion and analysis to be included in a concise financial report:

- (a) the auditor must report on whether the discussion and analysis complies with the requirements that the accounting standards lay down for the discussion and analysis; and
 - (b) the auditor does not otherwise need to audit the statements made in the discussion and analysis.”
- 3 The reissue of the Standard follows the revision and reissue of certain Accounting Standards since December 1998 and changes in terminology. In particular, the minor amendments made to the Standard reflect the revised Accounting Standards AASB 1005 “Segment Reporting” (August 2000) and AASB 1027 “Earnings per Share” (June 2001).
- 4 AASB 1005 deals with primary and secondary segments, whereas the superseded AASB 1005 made no such distinction. The amendment to the Standard is to clarify that the segment information required in concise financial reports relates only to primary segments.
- 5 AASB 1027 requires disclosure of diluted earnings per share even where it is not materially different from basic earnings per share, whereas the superseded AASB 1027 permitted non-disclosure of diluted earnings per share when there was no material difference from basic earnings per share. The amendment to the Standard is to clarify that, where basic and diluted earnings per share are different, both must be disclosed in concise financial reports, regardless of materiality.