

Interpretation of Standards



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The Customer Service Officer
Australian Accounting Standards Board
Level 7
600 Bourke Street
Melbourne Victoria
AUSTRALIA

Postal address:
PO Box 204
Collins Street West
Victoria 8007
AUSTRALIA

Phone: (03) 9617 7637
Fax: (03) 9617 7608
E-mail: publications@aaasb.gov.au
Website: www.aasb.gov.au

Other Enquiries

Phone: (03) 9617 7600
Fax: (03) 9617 7608
E-mail: standard@aaasb.gov.au

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Australian Accounting Standard AASB 1048 *Interpretation of Standards* is set out in paragraphs 1 – 12. All the paragraphs have equal authority. 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

Introduction

The Australian Accounting Standards Board (AASB) makes Australian Accounting Standards, including Interpretations, to be applied by:

- (a) entities required by the *Corporations Act 2001* to prepare financial reports;
- (b) governments in preparing financial statements for the whole of government and the General Government Sector (GGS); and
- (c) entities in the private or public for-profit or not-for-profit sectors that are reporting entities or that prepare general purpose financial statements.

AASB 1053 *Application of Tiers of Australian Accounting Standards* establishes a differential reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements:

- (a) Tier 1: Australian Accounting Standards; and
- (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 1 requirements incorporate International Financial Reporting Standards (IFRSs), including Interpretations, issued by the International Accounting Standards Board (IASB), with the addition of paragraphs on the applicability of each Standard in the Australian environment.

Publicly accountable for-profit private sector entities are required to adopt Tier 1 requirements, and therefore are required to comply with IFRSs. Furthermore, other for-profit private sector entities complying with Tier 1 requirements will simultaneously comply with IFRSs. Some other entities complying with Tier 1 requirements will also simultaneously comply with IFRSs.

Tier 2 requirements comprise the recognition, measurement and presentation requirements of Tier 1 but substantially reduced disclosure requirements in comparison with Tier 1.

Australian Accounting Standards also include requirements that are specific to Australian entities. These requirements may be located in Australian Accounting Standards that incorporate IFRSs or in other Australian Accounting Standards. In most instances, these requirements are either

restricted to the not-for-profit or public sectors or include additional disclosures that address domestic, regulatory or other issues. These requirements do not prevent publicly accountable for-profit private sector entities from complying with IFRSs. In developing requirements for public sector entities, the AASB considers the requirements of International Public Sector Accounting Standards (IPSASs), as issued by the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants.

Reasons for Issuing AASB 1048

Australian Accounting Standards that apply to annual reporting periods beginning on or after 1 January 2005 include IFRSs, which comprise Accounting Standards and Interpretations. The adoption of IFRSs in Australia is in accordance with a strategic direction made by the Financial Reporting Council (FRC).

This Standard clarifies that all Australian Interpretations have the same authoritative status. Those that incorporate the IASB Interpretations must be applied to achieve compliance with IFRSs. Australian Interpretations issued by the AASB comprise both AASB and UIG Interpretations. UIG Interpretations were developed by the Urgent Issues Group, a former committee of the AASB.

Need for a Service Standard

In the Australian context, Australian Interpretations do not have the same legal status as Standards (delegated legislation) and are treated as 'external documents' by the *Acts Interpretation Act 1901* and the *Legislative Instruments Act 2003*. Although references in one Standard to a second Standard are ambulatory (automatically moving forward to refer to the most recently-issued version of the second Standard), references in a Standard to external documents are stationary (being fixed in time to refer to the contents of the external document when the Standard was issued). A simple reference to an Australian Interpretation in a Standard can refer only to the Interpretation that existed when the Standard was issued. It cannot refer to any revised version of the Interpretation that may exist at a later reporting date. However, a Standard can refer to a second Standard and, when the first Standard is applied at a later reporting date, the reference will be to the then-current version of the second Standard, even if it has been reissued since the first Standard was issued.

The service Standard approach involves issuing this Standard to list the Australian Interpretations, and referring to this Standard in every other Standard where necessary to refer to an Interpretation. This enables

references to the Interpretations in all other Standards to be updated by reissuing the service Standard.

This approach preserves the status of Australian Interpretations as ‘external documents’ referred to in a Standard, with the contents fixed in time to that existing when the Standard takes effect. It does not treat the Interpretations as delegated legislation or confer ambulatory status on the reference. In each Standard where there is a need to refer to an Australian Interpretation, the reference will be to this Standard, phrased as “Interpretation [number] [title] as identified in AASB 1048” (or similar). This reference, being to another Standard, is ambulatory and will refer to the version of this Standard that is in force from time to time. AASB 1048 itself will contain the direct references to the external documents and will be reissued periodically.

This approach to clarifying the status of Australian Interpretations ensures there is no difference between the status in the hierarchy accorded to Interpretations in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* compared with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Main Features of this Standard

This Standard (issued in June 2012) supersedes the previous version of AASB 1048, issued in June 2010.

Application Date

This Standard is applicable to annual reporting periods ending on or after 30 June 2012 (see paragraph 3). To be consistent with the position for IFRSs as adopted in Australia, early adoption of this Standard is not permitted for annual reporting periods beginning before 1 January 2005. However, early adoption is otherwise permitted as specified in paragraph 4, subject to paragraphs 10 and 12.

Main Requirements

This Standard identifies the Australian Interpretations and classifies them into two groups: those that correspond to an IASB Interpretation and those that do not. Entities are required to apply each relevant Australian Interpretation in preparing financial statements that are within the scope of the Standard.

In respect of the first group (Table 1), it is necessary for those Australian Interpretations, where relevant, to be applied in order for an entity to be able to make an explicit and unreserved statement of compliance with IFRSs. The IASB defines IFRSs to include the IFRIC and the SIC Interpretations.

In the second group (Table 2), this Standard lists the other Australian Interpretations, which do not correspond to the IASB Interpretations, to assist financial statement preparers and users to identify the other authoritative pronouncements necessary for compliance in the Australian context.

The Standard will be reissued when necessary to keep the Tables up to date.

Changes from AASB 1048 (June 2010)

The main differences between the previous version of AASB 1048 and this version are as follows:

- (a) the removal from Tables 1 and 2 in paragraphs 9 and 11 of the Standard of the versions of Interpretations that do not apply to any of the reporting periods to which this Standard mandatorily applies (see paragraph 3); and
- (b) the addition of one Interpretation incorporating an IFRIC Interpretation to Table 1, as set out in the following table.

Principal Addition to Table 1

Interpretation <i>Issue Date</i>	Title	Application Date (annual reporting periods)	IFRIC or SIC Interp'n
20 <i>November 2011</i>	Stripping Costs in the Production Phase of a Surface Mine	(beginning) 1 January 2013	IFRIC 20

Amended versions of Interpretations since June 2010 have also been added to Table 1 and Table 2, where applicable to any reporting period to which this Standard mandatorily applies.

COMPARISON WITH INTERNATIONAL PRONOUNCEMENTS

AASB 1048 and IASB Pronouncements

There is no International Accounting Standards Board (IASB) Standard that directly corresponds to AASB 1048. However, Table 1 in AASB 1048 (see paragraph 9) contains a list of Australian Interpretations identifying the corresponding IASB Interpretations.

Compliance with IFRSs

For-profit entities that comply with the Australian Interpretations designated in this Standard as corresponding to the IASB Interpretations will simultaneously be in compliance with the Interpretations referred to by the IASB in its definition of International Financial Reporting Standards (IFRSs). Such compliance is one of the prerequisites that needs to be met before an entity can make an explicit and unreserved statement of compliance with IFRSs, as described in AASB 101 *Presentation of Financial Statements*.

ACCOUNTING STANDARD AASB 1048

The Australian Accounting Standards Board makes Accounting Standard AASB 1048 *Interpretation of Standards* under section 334 of the *Corporations Act 2001*.

Dated 29 June 2012

Kevin M. Stevenson
Chair – AASB

ACCOUNTING STANDARD AASB 1048

INTERPRETATION OF STANDARDS

Objective

- 1 The objective of this Standard is to provide an up-to-date listing of Australian Interpretations and to ensure the effectiveness of references in Australian Accounting Standards to Australian Interpretations. AASB and UIG Interpretations are referred to collectively in this Standard as Australian Interpretations.

Application

- 2 **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 statements of each reporting entity; and**
 - (c) **financial statements that are, or are held out to be, general purpose financial statements.**
- 3 **This Standard applies to annual reporting periods ending on or after 30 June 2012.**
- 4 **This Standard may be applied to annual reporting periods beginning on or after 1 January 2005 that end before 30 June 2012.**
- 5 **The requirements specified in this Standard apply to the financial statements where information resulting from their application is material in accordance with AASB 1031 *Materiality*.**

- 6 When applicable, this Standard supersedes AASB 1048 Interpretation of Standards as issued in June 2010.**

Scope

- 7 This Standard refers to all Australian Interpretations currently approved by the AASB and applicable to any period¹ specified in paragraph 3, classified according to whether or not they correspond to Interpretations adopted by the International Accounting Standards Board (IASB).
- 8 For ease of presentation, the Australian Interpretations are set out in two separate tables: in paragraph 9, Table 1 lists those corresponding to IASB Interpretations and, in paragraph 11, Table 2 lists the other Interpretations. Each reference to an Interpretation in a row in each of the Tables 1 and 2 is to be treated as a separate provision of this Standard.

Australian Interpretations corresponding to IASB Interpretations

- 9 An entity shall apply each relevant Australian Interpretation listed in Table 1 below.**

Table 1: Australian Interpretations corresponding to IASB Interpretations

Interpretation Issue Date	Title	Application Date (annual reporting periods)	IFRIC or SIC Interp'n
1 <i>June 2009</i> [as amended to]	Changes in Existing Decommissioning, Restoration and Similar Liabilities	(beginning) 1 January 2009	IFRIC 1
2 <i>June 2012</i> [as amended to]	Members' Shares in Co-operative Entities and Similar Instruments	(beginning) 1 July 2013	IFRIC 2
2 <i>June 2012</i> [as amended to]	Members' Shares in Co-operative Entities and Similar Instruments	(beginning) 1 January 2013	IFRIC 2

¹ Periods no longer than 18 months.

Table 1: Australian Interpretations corresponding to IASB Interpretations

Interpretation Issue Date	Title	Application Date (annual reporting periods)	IFRIC or SIC Interp'n
2 <i>May 2011</i> [as amended to]	Members' Shares in Co-operative Entities and Similar Instruments	(beginning) 1 July 2011	IFRIC 2
2 <i>December 2009</i> [as amended to]	Members' Shares in Co-operative Entities and Similar Instruments	(beginning) 1 January 2011	IFRIC 2
4 <i>September 2011</i> [as amended to]	Determining whether an Arrangement contains a Lease	(beginning) 1 July 2013	IFRIC 4
4 <i>September 2011</i> [as amended to]	Determining whether an Arrangement contains a Lease	(beginning) 1 January 2013	IFRIC 4
4 <i>December 2009</i> [as amended to]	Determining whether an Arrangement contains a Lease	(beginning) 1 January 2011	IFRIC 4
5 <i>August 2011</i> [as amended to]	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	(beginning) 1 July 2013	IFRIC 5
5 <i>August 2011</i> [as amended to]	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	(beginning) 1 January 2013	IFRIC 5
5 <i>September 2007</i> [as amended to]	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	(beginning) 1 January 2009	IFRIC 5
6 <i>September 2007</i> [as amended to]	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	(beginning) 1 January 2009	IFRIC 6

Table 1: Australian Interpretations corresponding to IASB Interpretations

Interpretation Issue Date	Title	Application Date (annual reporting periods)	IFRIC or SIC Interp'n
7 <i>October 2009</i> [as amended to]	Applying the Restatement Approach under AASB 129 <i>Financial Reporting in Hyper-inflationary Economies</i>	(beginning) 1 January 2009	IFRIC 7
9 <i>August 2011</i> [as amended to]	Reassessment of Embedded Derivatives	(beginning) 1 January 2013	IFRIC 9
9 <i>May 2009</i> [as amended to]	Reassessment of Embedded Derivatives	(beginning) 1 July 2009	IFRIC 9
10 <i>December 2010</i> [as amended to]	Interim Financial Reporting and Impairment	(beginning) 1 January 2013	IFRIC 10
10 <i>October 2009</i> [as amended to]	Interim Financial Reporting and Impairment	(beginning) 1 January 2009	IFRIC 10
12 <i>September 2011</i> [as amended to]	Service Concession Arrangements	(beginning) 1 January 2013	IFRIC 12
12 <i>June 2009</i> [as amended to]	Service Concession Arrangements	(beginning) 1 January 2009	IFRIC 12
13 <i>September 2011</i> [as amended to]	Customer Loyalty Programmes	(beginning) 1 January 2013	IFRIC 13
13 <i>June 2010</i> [as amended to]	Customer Loyalty Programmes	(beginning) 1 January 2011	IFRIC 13

Table 1: Australian Interpretations corresponding to IASB Interpretations

Interpretation Issue Date	Title	Application Date (annual reporting periods)	IFRIC or SIC Interp'n
14 <i>September 2011</i> [as amended to]	AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	(beginning) 1 January 2013	IFRIC 14
14 <i>December 2009</i> [as amended to]	AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	(beginning) 1 January 2011	IFRIC 14
15 <i>June 2010</i> [as amended to]	Agreements for the Construction of Real Estate	(beginning) 1 July 2013	IFRIC 15
15 <i>August 2008</i>	Agreements for the Construction of Real Estate	(beginning) 1 January 2009	IFRIC 15
16 <i>August 2011</i> [as amended to]	Hedges of a Net Investment in a Foreign Operation	(beginning) 1 January 2013	IFRIC 16
16 <i>December 2009</i> [as amended to]	Hedges of a Net Investment in a Foreign Operation	(beginning) 1 January 2011	IFRIC 16
17 <i>September 2011</i> [as amended to]	Distributions of Non-cash Assets to Owners	(beginning) 1 July 2013	IFRIC 17
17 <i>September 2011</i> [as amended to]	Distributions of Non-cash Assets to Owners	(beginning) 1 January 2013	IFRIC 17
17 <i>June 2009</i> [as amended to]	Distributions of Non-cash Assets to Owners	(beginning) 1 July 2009	IFRIC 17
18 <i>March 2009</i>	Transfers of Assets from Customers	(ending) 1 July 2009	IFRIC 18

Table 1: Australian Interpretations corresponding to IASB Interpretations

Interpretation Issue Date	Title	Application Date (annual reporting periods)	IFRIC or SIC Interp'n
19 <i>September 2011</i> [as amended to]	Extinguishing Financial Liabilities with Equity Instruments	(beginning) 1 January 2013	IFRIC 19
19 <i>December 2009</i>	Extinguishing Financial Liabilities with Equity Instruments	(beginning) 1 July 2010	IFRIC 19
20 <i>November 2011</i>	Stripping Costs in the Production Phase of a Surface Mine	(beginning) 1 January 2013	IFRIC 20
107 <i>June 2009</i> [as amended to]	Introduction of the Euro	(beginning) 1 July 2009	SIC-7
110 <i>September 2007</i> [as amended to]	Government Assistance – No Specific Relation to Operating Activities	(beginning) 1 January 2009	SIC-10
112 <i>May 2011</i> [as amended to]	Consolidation – Special Purpose Entities	(beginning) 1 July 2011	SIC-12
112 <i>October 2010</i> [as amended to]	Consolidation – Special Purpose Entities	(beginning) 1 January 2011	SIC-12
113 <i>May 2011</i> [as amended to]	Jointly Controlled Entities – Non-Monetary Contributions by Venturers	(beginning) 1 July 2011	SIC-13
113 <i>September 2007</i> [as amended to]	Jointly Controlled Entities – Non-Monetary Contributions by Venturers	(beginning) 1 January 2009	SIC-13
115 <i>October 2010</i> [as amended to]	Operating Leases – Incentives	(beginning) 1 January 2011	SIC-15

Table 1: Australian Interpretations corresponding to IASB Interpretations

Interpretation Issue Date	Title	Application Date (annual reporting periods)	IFRIC or SIC Interp'n
121 <i>September 2007</i> [as amended to]	Income Taxes – Recovery of Revalued Non-Depreciable Assets	(beginning) 1 January 2009	SIC-21
125 <i>June 2009</i> [as amended to]	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders	(beginning) 1 January 2009	SIC-25
127 <i>December 2010</i> [as amended to]	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	(beginning) 1 July 2013	SIC-27
127 <i>December 2010</i> [as amended to]	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	(beginning) 1 January 2013	SIC-27
127 <i>October 2010</i> [as amended to]	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	(beginning) 1 January 2011	SIC-27
129 <i>June 2010</i> [as amended to]	Service Concession Arrangements: Disclosures	(beginning) 1 July 2013	SIC-29
129 <i>June 2009</i> [as amended to]	Service Concession Arrangements: Disclosures	(beginning) 1 January 2009	SIC-29
131 <i>September 2011</i> [as amended to]	Revenue – Barter Transactions Involving Advertising Services	(beginning) 1 January 2013	SIC-31
131 <i>September 2007</i> [as amended to]	Revenue – Barter Transactions Involving Advertising Services	(beginning) 1 January 2009	SIC-31
132 <i>September 2011</i> [as amended to]	Intangible Assets – Web Site Costs	(beginning) 1 January 2013	SIC-32

Table 1: Australian Interpretations corresponding to IASB Interpretations

Interpretation Issue Date	Title	Application Date (annual reporting periods)	IFRIC or SIC Interp'n
132 <i>October 2010</i> [as amended to]	Intangible Assets – Web Site Costs	(beginning) 1 January 2011	SIC-32

- 10 The principal application date listed in Table 1 for each Interpretation is a reference to annual reporting periods beginning or ending (as indicated) on or after the date specified. An entity may elect to apply an individual Interpretation to annual reporting periods in advance of that stated for the Interpretation in Table 1, subject to the early application requirements of the Interpretation. However, an Interpretation shall not be applied to annual reporting periods beginning before 1 January 2005.

Other Australian Interpretations

- 11 An entity shall apply each relevant Australian Interpretation listed in Table 2 below.

Table 2: Other Australian Interpretations

Interpretation Issue Date	Title	Application Date (annual reporting periods)
1003 <i>November 2007</i>	Australian Petroleum Resource Rent Tax	(ending) 30 June 2008
1019 <i>December 2007</i> [as amended to]	The Superannuation Contributions Surcharge	(beginning) 1 January 2009
1030 <i>September 2007</i> [as amended to]	Depreciation of Long-Lived Physical Assets: Condition-Based Depreciation and Related Methods	(beginning) 1 January 2009
1031 <i>December 2007</i> [as amended to]	Accounting for the Goods and Services Tax (GST)	(beginning) 1 January 2009

Table 2: Other Australian Interpretations

Interpretation Issue Date	Title	Application Date (annual reporting periods)
1038 <i>December 2007</i>	Contributions by Owners Made to Wholly-Owned Public Sector Entities	(beginning) 1 July 2008
1039 <i>December 2009</i> [as amended to]	Substantive Enactment of Major Tax Bills in Australia	(beginning) 1 January 2011
1042 <i>October 2010</i> [as amended to]	Subscriber Acquisition Costs in the Telecommunications Industry	(beginning) 1 January 2011
1047 <i>December 2007</i> [as amended to]	Professional Indemnity Claims Liabilities in Medical Defence Organisations	(beginning) 1 January 2009
1052 <i>June 2010</i> [as amended to]	Tax Consolidation Accounting	(beginning) 1 July 2013
1052 <i>December 2009</i> [as amended to]	Tax Consolidation Accounting	(beginning) 1 January 2011
1055 <i>December 2007</i> [as amended to]	Accounting for Road Earthworks	(beginning) 1 January 2009

- 12 The principal application date listed in Table 2 for each Interpretation is a reference to annual reporting periods beginning or ending (as indicated) on or after the date specified. An entity may elect to apply an individual Interpretation to annual reporting periods in advance of that stated for the Interpretation in Table 2, subject to the early application requirements of the Interpretation. However, an Interpretation shall not be applied to annual reporting periods beginning before 1 January 2005.