

Accounting Standard

AASB 1048
December 2006

Interpretation and Application of Standards



Australian Government

**Australian Accounting
Standards Board**

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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.com.au
Website: www.aasb.com.au

Other Enquiries

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

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Australian Accounting Standard AASB 1048 *Interpretation and Application 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

Reasons for Issuing AASB 1048

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

In considering the adoption of IFRSs, the AASB reached the conclusion that it was desirable to issue an Accounting Standard clarifying the status of the pronouncements of the Urgent Issues Group, the UIG Interpretations (previously known as UIG Abstracts), that are approved by the AASB. This Standard also clarifies the status of AASB Interpretations. AASB and UIG Interpretations are referred to collectively in this Standard as Australian Interpretations.

All Australian Interpretations have the same authoritative status and those that are equivalent to the IASB Interpretations must be applied to achieve compliance with IFRSs.

The IASB defines IFRSs as comprising:

- (a) International Financial Reporting Standards;
- (b) International Accounting Standards (IASs); 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) Australian Interpretations issued by the AASB corresponding to the Interpretations adopted by the IASB, as listed in AASB 1048 *Interpretation and Application of Standards*.

This Standard complements the set of Australian equivalents to IFRSs. This set includes Australian Interpretations that correspond to the IASB Interpretations originated by the IFRIC or the SIC. When considering the most effective approach to implementing the FRC direction, the AASB decided that Australian-source documents were needed to provide equivalents to the IASB Interpretations. Correlation between the Australian Interpretations and the IASB Interpretations is provided in Table 1 of this Standard. This Standard will be re-issued when necessary to bring the correlation up to date.

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 also by 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 an AASB Standard can only refer 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, an AASB Standard can refer to a second AASB 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 re-issued since the first Standard was issued.

After analysing the issues, the AASB decided the service Standard approach constitutes the most effective way to ensure that the compliance required by 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*, has the same meaning as intended in IFRS 1.

The service Standard approach involves issuing an AASB Standard that lists the Australian Interpretations, and referring to that Standard in every other AASB Standard where necessary to refer to an Interpretation. This enables references to the Interpretations in all other AASB Standards to be updated by re-issuing 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 AASB Standard where there is a need to refer to an Australian equivalent of an IASB Interpretation, the reference will be to this Standard, phrased as

“AASB (or UIG) Interpretation (number) (title) identified in AASB 1048 as corresponding to IFRIC (or SIC) (number)”. This reference, being to another AASB Standard, is ambulatory and will refer to the Standard, AASB 1048, that is in force from time to time. AASB 1048 itself will contain the direct references to the external documents and it will be re-issued to keep all references to Interpretations in the other Standards up to date.

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*.

A further advantage of this approach, compared with alternative approaches, is that it is able to be combined with implementing the perceived need for an AASB Standard clarifying the status of all Australian Interpretations, irrespective of whether they correspond to an IASB Interpretation.

Main Features of this Standard

This Standard (issued in December 2006) supersedes the previous version of AASB 1048, issued in April 2006.

Application Date

This Standard is applicable in general to annual reporting periods ending on or after 31 December 2006 (see paragraph 3). To be consistent with the position for AASB Standards equivalent to IFRSs, 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.

First-time Application and Comparatives

When an entity first applies this Standard in the context of adopting all Australian equivalents to IFRSs, AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, the Australian equivalent of IFRS 1, generally requires prior period information, presented as comparative information, to be restated as if the requirements of the Australian equivalents to IFRSs (including those Australian Interpretations equivalent to the IASB Interpretations) had always applied. This differs from the requirements in pre-2005 Australian Standards, where changes in accounting policies did not require the restatement of the income statement and balance sheet of the preceding period.

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 reports 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 SIC Interpretations.

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

The Standard will be re-issued when necessary to keep the Tables up to date.

Changes from AASB 1048 (April 2006)

The difference between AASB 1048 (as issued in April 2006) and this version issued in December 2006 is the addition of one Interpretation to Table 1 in paragraph 9 of the Standard, as set out in the following table.

Table 1 – Addition

Interpretation <i>Issue Date</i>	Title	Application Date (annual reporting periods)	IFRIC or SIC
10 <i>September 2006</i>	Interim Financial Reporting and Impairment	(beginning) 1 November 2006	IFRIC 10

COMPARISON WITH INTERNATIONAL PRONOUNCEMENTS

AASB 1048 and IASB Pronouncements

There is no IASB Standard equivalent 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 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 paragraph 14 of AASB 101 *Presentation of Financial Statements*.

AASB 1048 and IPSASs

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

There is no IPSAS equivalent to AASB 1048. Further, there are no Interpretations issued or adopted by the IPSASB that are equivalent to the IASB Interpretations or the Australian Interpretations.

ACCOUNTING STANDARD AASB 1048

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

Dated 13 December 2006

D.G. Boymal
Chair – AASB

ACCOUNTING STANDARD AASB 1048

INTERPRETATION AND APPLICATION OF STANDARDS

Objective

- 1 The objective of this Standard is to provide an up-to-date listing of AASB and UIG Interpretations and to ensure the effectiveness of references in AASB Standards to AASB and UIG 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 reports of each reporting entity; and**
 - (c) **financial reports that are, or are held out to be, general purpose financial reports.**
- 3 **This Standard applies to annual reporting periods ending on or after 31 December 2006.**
- 4 **This Standard may be applied to annual reporting periods beginning on or after 1 January 2005 that end before 31 December 2006.**

- 5 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*.**
- 6 When applicable, this Standard supersedes AASB 1048 *Interpretation and Application of Standards* as issued in April 2006.**

Scope

- 7 This Standard refers to all Australian Interpretations currently approved by the AASB, 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
1 <i>July 2004</i>	Changes in Existing Decommissioning, Restoration and Similar Liabilities	(beginning) 1 January 2005	IFRIC 1
2 <i>March 2005</i>	Members' Shares in Co-operative Entities and Similar Instruments	(ending) 31 December 2005	IFRIC 2
4 <i>June 2005</i>	Determining whether an Arrangement contains a Lease	(beginning) 1 January 2006	IFRIC 4
5 <i>June 2005</i>	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	(beginning) 1 January 2006	IFRIC 5

Table 1: Australian Interpretations corresponding to IASB Interpretations

Interpretation Issue Date	Title	Application Date (annual reporting periods)	IFRIC or SIC
6 <i>October 2005</i>	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	(beginning) 1 December 2005	IFRIC 6
7 <i>February 2006</i>	Applying the Restatement Approach under AASB 129 <i>Financial Reporting in Hyper-inflationary Economies</i>	(beginning) 1 March 2006	IFRIC 7
8 <i>March 2006</i>	Scope of AASB 2	(beginning) 1 May 2006	IFRIC 8
9 <i>April 2006</i>	Reassessment of Embedded Derivatives	(beginning) 1 June 2006	IFRIC 9
10 <i>September 2006</i>	Interim Financial Reporting and Impairment	(beginning) 1 November 2006	IFRIC 10
107 <i>July 2004</i>	Introduction of the Euro	(beginning) 1 January 2005	SIC-7
110 <i>July 2004</i>	Government Assistance – No Specific Relation to Operating Activities	(beginning) 1 January 2005	SIC-10
112 <i>December 2004</i>	Consolidation – Special Purpose Entities	(beginning) 1 January 2005	SIC-12
113 <i>July 2004</i>	Jointly Controlled Entities – Non-Monetary Contributions by Venturers	(beginning) 1 January 2005	SIC-13
115 <i>July 2004</i>	Operating Leases – Incentives	(beginning) 1 January 2005	SIC-15
121 <i>July 2004</i>	Income Taxes – Recovery of Revalued Non-Depreciable Assets	(beginning) 1 January 2005	SIC-21
125 <i>July 2004</i>	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders	(beginning) 1 January 2005	SIC-25
127 <i>July 2004</i>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	(beginning) 1 January 2005	SIC-27

Table 1: Australian Interpretations corresponding to IASB Interpretations

Interpretation Issue Date	Title	Application Date (annual reporting periods)	IFRIC or SIC
129 <i>July 2004</i>	Disclosure – Service Concession Arrangements	(beginning) 1 January 2005	SIC-29
131 <i>July 2004</i>	Revenue – Barter Transactions Involving Advertising Services	(beginning) 1 January 2005	SIC-31
132 <i>July 2004</i>	Intangible Assets – Web Site Costs	(beginning) 1 January 2005	SIC-32

- 10 The 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. 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)
1001 <i>July 2005</i>	Consolidated Financial Reports in relation to Pre-Date-of-Transition Dual Listed Company Arrangements	(ending) 31 December 2005
1002 <i>December 2005</i>	Post-Date-of-Transition Stapling Arrangements	(ending) 31 December 2005
1013 <i>April 2005</i>	Consolidated Financial Reports in relation to Pre-Date-of-Transition Stapling Arrangements	(ending) 31 December 2005
1017 <i>November 2004</i>	Developer and Customer Contributions for Connection to a Price-Regulated Network	(beginning) 1 January 2005
1019 <i>September 2004</i>	The Superannuation Contributions Surcharge	(beginning) 1 January 2005

Table 2: Other Australian Interpretations

Interpretation Issue Date	Title	Application Date (annual reporting periods)
1030 <i>September 2004</i>	Depreciation of Long-Lived Physical Assets: Condition-Based Depreciation and Related Methods	(beginning) 1 January 2005
1031 <i>July 2004</i>	Accounting for the Goods and Services Tax (GST)	(beginning) 1 January 2005
1038 <i>September 2004</i>	Contributions by Owners Made to Wholly-Owned Public Sector Entities	(beginning) 1 January 2005
1039 <i>July 2004</i>	Substantive Enactment of Major Tax Bills in Australia	(beginning) 1 January 2005
1042 <i>December 2004</i>	Subscriber Acquisition Costs in the Telecommunications Industry	(beginning) 1 January 2005
1047 <i>November 2004</i>	Professional Indemnity Claims Liabilities in Medical Defence Organisations	(beginning) 1 January 2005
1052 <i>June 2005</i>	Tax Consolidation Accounting	(ending) 31 December 2005
1055 <i>September 2004</i>	Accounting for Road Earthworks	(beginning) 1 January 2005

- 12 The 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. However, an Interpretation shall not be applied to annual reporting periods beginning before 1 January 2005.