

Australian Additional Disclosures



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ISSN 1036-4803

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Australian Accounting Standard AASB 1054 *Australian Additional Disclosures* is set out in paragraphs 1 – 16. All the paragraphs have equal authority. Paragraphs in **bold type** state the main principles. AASB 1054 is to be read in the context of other Australian Accounting Standards, including AASB 1048 *Interpretation of Standards*, which identifies the Australian Accounting 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

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.

When appropriate, Australian Accounting Standards 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.

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. 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.

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.

Private sector for-profit entities complying with Tier 1 requirements will simultaneously comply with IFRSs. Many other entities complying with Tier 1 will also simultaneously comply with IFRSs.

Main Features of this Standard

This Standard sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards. This Standard contains disclosure requirements that are additional to IFRSs.

This Standard results from the proposals that were included in Exposure Draft AASB ED 200B / FRSB ED 122 *Proposed Separate Disclosure Standards*, published in July 2010.

The AASB and the Financial Reporting Standards Board (FRSB) of the New Zealand Institute of Chartered Accountants jointly issued AASB ED 200B / FRSB ED 122 for the purpose of harmonising Australian Accounting Standards and New Zealand equivalents to IFRSs (NZ IFRSs), with a focus on eliminating differences between the Standards in each jurisdiction relating to for-profit entities.

This Standard is a consequence of Phase 1 of the joint Trans-Tasman Convergence project of the AASB and the FRSB.

Trans-Tasman Convergence Project

At the October 2009 joint meeting, the AASB and the FRSB formalised a project for harmonising differences between the Australian Accounting Standards and NZ IFRSs.

The Boards have been working on convergence issues for some years to promote harmonisation of financial reporting standards across the Tasman. The Boards' efforts were given impetus by the Joint Prime Ministerial Statement of Intent and the Single Economic Market Outcome Proposals issued by the then Prime Ministers of both countries in August 2009, which was revised in June 2010.

The specific outcome sought is to enable entities, from an accounting standards perspective, to prepare only one set of financial statements that would be recognised in both jurisdictions. The relevant timeframe for achieving this outcome, in relation to for-profit entities, is by the end of 2011. The Joint Prime Ministerial Statement of Intent notes that such an outcome would allow a reduction in compliance costs for entities operating across the Tasman and it would support Trans-Tasman investment through the consistency of financial statements.

The project is divided into the following three phases:

- (a) Phase 1 has addressed the harmonisation of financial reporting requirements across the Tasman in relation to for-profit entities that

assert compliance with IFRSs. The Boards were keen to first address differences from IFRSs and between Australian and New Zealand Standards as they apply to for-profit entities, on the basis that such entities are the most likely to claim compliance with IFRSs and trade across the Tasman;

- (b) a possible Phase 2 would specifically address differences affecting private not-for-profit entities; and
- (c) a possible Phase 3 would address differential reporting and qualifying entity differences.

Whilst for-profit entities currently applying Tier 1 Australian Accounting Standards and New Zealand Financial Reporting Standards are able to make an explicit and unreserved statement of compliance with IFRSs, the Boards decided to bring the alignment to IFRSs even closer than present, by eliminating any unnecessary variation from the wording of IFRSs. In particular, the Boards decided to use the IFRSs as the basis for eliminating Trans-Tasman differences. This is on the basis that if one jurisdiction did not see a need to modify the relevant IFRS and has not experienced adverse consequences, the other jurisdiction should consider the removal of the modification.

Accordingly for Phase 1, the Boards utilised the following principles in removing the differences between the Australian and New Zealand Standards:

- (a) eliminate differences from IFRSs, where possible; and
- (b) in cases where a disclosure requirement additional to IFRSs is of such importance that it should be retained, the additional disclosure requirement has been harmonised with the equivalent requirement in the other jurisdiction to the extent possible and relocated to a new Standard.

At the conclusion of Phase 1, the Boards decided to issue the following for each jurisdiction:

- (a) an amending standard containing the necessary amendments to the jurisdiction's Standards; and
- (b) a standard containing the jurisdiction-specific disclosures that are in addition to IFRSs. In reaching their decision on the location of additional disclosures, the Boards placed emphasis on bringing the wording of Australian and New Zealand Standards closer to IFRSs.

Accordingly, the AASB made:

- (a) AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project*; and
- (b) this Standard, which contains the Australian-specific disclosures that are in addition to IFRSs.

The FRSB prepared:

- (a) Harmonisation Amendments to New Zealand equivalents to International Financial Reporting Standards; and
- (b) FRS-44 *New Zealand Additional Disclosures*.

Application Date

This Standard is applicable to annual reporting periods beginning on or after 1 July 2011. Early adoption is permitted for annual reporting periods beginning on or after 1 January 2005 but before 1 July 2011, provided that AASB 2011-1 is also adopted early for the same period.

Specific disclosure requirements may individually be adopted early. When an entity elects to early adopt a disclosure requirement in this Standard, it shall also early adopt the relevant amendments in AASB 2011-1.

Main Requirements

This Standard includes definitions of 'annual reporting period' and 'special purpose financial statements'.

This Standard requires disclosure about:

- (a) compliance with Australian Accounting Standards;
- (b) the statutory basis or reporting framework for the financial statements;
- (c) whether the financial statements are general purpose or special purpose;
- (d) audit fees;
- (e) imputation credits; and
- (f) reconciliation of net operating cash flow to profit (loss).

Implications for Not-for-Profit Entities

This Standard applies to both for-profit entities and not-for-profit entities. This Standard does not include paragraphs that apply only to not-for-profit entities.

Implications for RDR Entities

Amendments to this Standard to introduce reduced disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements for annual reporting periods beginning on or after 1 July 2013 are included in *AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements*.

COMPARISON WITH IFRSs

AASB 1054 *Australian Additional Disclosures* includes disclosure requirements and definitions which are additional to International Financial Reporting Standards issued by the International Accounting Standards Board (IASB).

Compliance with AASB 1054 is not needed for IFRS compliance.

ACCOUNTING STANDARD AASB 1054

The Australian Accounting Standards Board makes Accounting Standard AASB 1054 *Australian Additional Disclosures* under section 334 of the *Corporations Act 2001*.

Dated 11 May 2011

Kevin M. Stevenson
Chair – AASB

ACCOUNTING STANDARD AASB 1054

AUSTRALIAN ADDITIONAL DISCLOSURES

Objective

- 1 The objective of this Standard is to set out Australian-specific disclosure requirements that are in addition to disclosure requirements in International Financial Reporting Standards.

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* beginning on or after 1 July 2011.**
- 4 **This Standard, or individual disclosure requirements, may be applied to annual reporting periods beginning on or after 1 January 2005 but before 1 July 2011, provided that AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project*, or its relevant individual amendments, is also adopted early for the same period. When an entity applies this Standard, or individual disclosure requirements, to such an annual reporting period, it shall disclose that fact.**

- 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*.**

Definitions

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

Annual reporting period means the financial year or similar period to which annual financial statements relate.

Special purpose financial statements are financial statements other than general purpose financial statements.

Compliance with Australian Accounting Standards

- 7 An entity whose financial statements comply with Australian Accounting Standards shall make an explicit and unreserved statement of such compliance in the notes. An entity shall not describe financial statements as complying with Australian Accounting Standards unless they comply with all the requirements of Australian Accounting Standards.

Reporting Framework

- 8 An entity shall disclose in the notes:
- (a) the statutory basis or other reporting framework, if any, under which the financial statements are prepared; and
 - (b) whether, for the purposes of preparing the financial statements, it is a for-profit or not-for-profit entity.

General Purpose or Special Purpose Financial Statements

- 9 An entity shall disclose in the notes whether the financial statements are general purpose financial statements or *special purpose financial statements*.

Audit Fees

- 10 An entity shall disclose fees to each auditor or reviewer, including any network firm, separately for:
- (a) the audit or review of the financial statements; and
 - (b) all other services performed during the reporting period.
- 11 For paragraph 10(b) above, an entity shall describe the nature of other services.

Imputation Credits

- 12 The term 'imputation credits' is used in paragraphs 13-15 to also mean 'franking credits'. The disclosures required by paragraphs 13 and 15 shall be made separately in respect of any New Zealand imputation credits and any Australian imputation credits.
- 13 An entity shall disclose the amount of imputation credits available for use in subsequent reporting periods.
- 14 For the purposes of determining the amount required to be disclosed in accordance with paragraph 13, entities may have:
- (a) imputation credits that will arise from the payment of the amount of the provision for income tax;
 - (b) imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
 - (c) imputation credits that will arise from the receipt of dividends recognised as receivables at the reporting date.
- 15 Where there are different classes of investors with different entitlements to imputation credits, disclosures shall be made about the nature of those entitlements for each class where this is relevant to an understanding of them.

Reconciliation of Net Operating Cash Flow to Profit (Loss)

- 16 When an entity uses the direct method to present its statement of cash flows, the financial statements shall provide a reconciliation of the net cash flow from operating activities to profit (loss).

BASIS FOR CONCLUSIONS

This Basis for Conclusions accompanies, but is not part of, AASB 1054.

Background

BC1 This Basis for Conclusions summarises the considerations of the Australian Accounting Standards Board and the Financial Reporting Standards Board (FRSB) of the New Zealand Institute of Chartered Accountants (NZICA) in reaching the conclusions in AASB 1054. It also provides a context for the Boards' decisions about harmonising the disclosure requirements. It focuses on the issues that the Boards consider to be of greatest significance. Individual Board members gave greater weight to some factors than to others.

Location of Additional Disclosures

BC2 The Boards discussed the merits of locating the additional domestic disclosure requirements in a separate disclosure standard compared with locating them within topic-based standards, which is the current practice. Some members supported a separate disclosure standard largely on the basis that it would facilitate the topic-based standards being identical to International Financial Reporting Standards (IFRSs). Other members expressed a preference for locating additional disclosures within topic-based standards for ease of use. On balance, with the benefit of constituent responses to AASB ED 200B / FRSB ED 122 *Proposed Separate Disclosure Standards*, the Boards decided to locate the additional disclosures in separate disclosure standards on the basis that they view bringing the wording of Australian and New Zealand Standards closer to IFRSs as one of the greatest benefits of the Trans-Tasman Convergence project.

Definitions

- BC3 The definition of 'annual reporting period' has been retained on the basis that it is used in application paragraphs of AASB Standards, consistent with terminology in the Australian *Corporations Act 2001*.
- BC4 The definition of 'special purpose financial statements' has been retained on the basis that it is used in a disclosure requirement related to the AASB's differential reporting framework.

Audit Fees

- BC5 The AASB and the FRSB have relocated and amended the audit fee disclosure requirements contained in AASB 101 *Presentation of Financial Statements* and NZ IAS 1 *Presentation of Financial Statements* to their respective separate disclosure Standards and harmonised the disclosure requirements across both jurisdictions.
- BC6 The AASB and the FRSB consider that the disclosure of audit fees is a matter of accountability and, given that the accountability environment is similar in both jurisdictions, they should have the same audit fee disclosure requirements. The Boards also took the opportunity to simplify the disclosure requirements on the basis that in recent times both preparers and users have indicated that disclosures in financial statements have become overly complex.
- BC7 The AASB and FRSB noted the usefulness of the notion of ‘related practice’ in audit fee disclosures in AASB 101 and decided to incorporate a similar notion that is common to both jurisdictions in the harmonised disclosures. Accordingly, the Boards decided to include the notion of ‘network firm’ from APES 110 *Code of Ethics for Professional Accountants* issued by Accounting and Professional Ethical Standards Board (APESB) (February 2008) and *Code of Ethics: Independence in Assurance Engagements* issued by the NZICA (September 2008). The Boards also decided not to define or provide explanatory material for ‘network firm’ on the basis that the notion is generally understood and preparers and auditors could refer to the relevant APESB and NZICA pronouncements.
- BC8 The AASB and FRSB note that disclosures are made in the context of the scope of the entity reporting. Accordingly, in the case of a group, disclosures made in accordance with paragraph 10 would include fees paid by the parent and its subsidiaries for each of the parent and its subsidiaries.

Imputation Credits

- BC9 The AASB and the FRSB have relocated the imputation credit disclosure requirements contained in AASB 101 and NZ IAS 12 *Income Taxes* to their respective separate disclosure Standards and to harmonise the disclosure requirements across both jurisdictions.
- BC10 The AASB and the FRSB noted that Australia and New Zealand are among a limited number of jurisdictions that have an imputation tax regime and acknowledge the decision usefulness of information about imputation credits to users of financial information. Accordingly, the

AASB and the FRSB decided that these disclosure requirements should be retained.

- BC11 Given that both jurisdictions have disclosure requirements about imputation credits, and that the imputation regimes in each jurisdiction are highly similar, the Boards have harmonised the wording across both jurisdictions. The Boards also took the opportunity to simplify the disclosure requirements on the basis that in recent times both preparers and users have indicated that disclosures in financial statements have become overly complex.

Reconciliation of Net Operating Cash Flow to Profit (Loss)

- BC12 The AASB and the FRSB have relocated the requirement to disclose a reconciliation of net operating cash flow to profit or loss when an entity uses the direct method to present its statement of cash flows [that were contained in AASB 107 *Statement of Cash Flows* and NZ IAS 7 *Statement of Cash Flows*] to their respective separate disclosure standards and to harmonise the disclosure requirements across both jurisdictions.
- BC13 The Boards, in forming the view to retain the requirement for a reconciliation of net operating cash flow to profit or loss, acknowledged the weight of comments received on AASB ED 200B / FRSB ED 122 from constituents who opposed the proposal to remove this requirement.
- BC14 The Boards noted that the IASB has recently considered requiring a reconciliation of net operating cash flow to profit or loss in the context of its Financial Statement Presentation project.