

**Accounting Standard**

**AASB 2006-2**  
March 2006

# **Amendments to Australian Accounting Standards**

**[AASB 1]**



**Australian Government**

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**Australian Accounting  
Standards Board**

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AASB 2006-2 AMENDMENTS TO AUSTRALIAN ACCOUNTING  
STANDARDS**

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Australian Accounting Standard AASB 2006-2 *Amendments to Australian Accounting Standards* is set out in paragraphs 1 – 5. All the paragraphs have equal authority.

## **PREFACE**

### **Standards Amended by AASB 2006-2**

This Standard amends Australian Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*.

### **Main Features of this Standard**

#### **Application Date**

This Standard is applicable to annual reporting periods ending on or after 30 June 2006 with early adoption permitted for annual reporting periods beginning on or after 1 January 2005.

#### **Main Requirements**

A requirement of AASB 1 (issued in July 2004) is that entities must make an unreserved statement of compliance with Australian equivalents to IFRSs if they are to be eligible to access the transitional provisions offered by AASB 1, which among other things provide transitional relief from certain requirements in some Standards.

During 2005, the AASB was contacted by a number of key constituents in the not-for-profit public sector with significant concerns relating to the transition to Australian equivalents to IFRSs. In particular, they were concerned that they are unable to make an unreserved statement of compliance with Australian equivalents to IFRSs due to information deficiencies that have caused non-compliance with previous GAAP. In order to rectify this situation, the AASB has decided to insert an “Aus” paragraph to allow the use of AASB 1 by not-for-profit public sector entities experiencing extreme difficulties in complying with some Standards subject to making certain disclosures.

#### **AASB Basis for Conclusions**

Unlike some jurisdictions, in adopting IFRSs, Australia has not also retained its previous Australian GAAP and all entities must migrate to the Australian equivalents to IFRSs at the same time – accordingly, in contrast to those other jurisdictions, Australian entities are not able to choose the time at which they adopt the new Standards.

The migration to Australian equivalents to IFRSs multiplies the issues faced by entities already not complying with all Standards because to obtain the

relief from full retrospective application of all Standards, in the absence of paragraph Aus3.2, AASB 1 is only available to entities making an unreserved statement of compliance with Australian equivalents to IFRSs. The AASB noted that an entity using the transitional arrangements in AASB 1, despite being ineligible to do so due to non-compliance with some other Standards, would be adding to its lack of compliance with Standards, and that the impact of this could persist over many reporting periods.

In making its decision about access to AASB 1, the AASB agreed to limit the extended access to AASB 1 to not-for-profit public sector entities and only in rare circumstances. An entity can only avail itself of this Standard in order to gain access to AASB 1 by being in a situation in which it faces extreme difficulties in complying with certain Australian equivalents to IFRSs and has identified non-compliance with previous GAAP in relation to those same difficulties. The AASB noted that some entities may have identified non-compliance with previous GAAP due to information deficiencies that date back to the time when they used cash-based accounting.

Other than providing wider access to AASB 1, paragraph Aus3.2 does not condone non-compliance with other Standards and does not provide relief from complying with other Standards.

The AASB issued Invitation to Comment 10 *Proposed Amendments to AASB 1* for public comment in February 2006. All the responses received supported the proposal to widen access to AASB 1 to certain not-for-profit public sector entities experiencing extreme difficulties complying with certain Australian equivalents to IFRSs.

The AASB is satisfied that the addition of paragraph Aus3.2 is a reasonable response to a transitional issue affecting certain not-for-profit public sector entities and that the requirements to make disclosures about the information deficiencies and an explicit and unreserved statement of compliance with other Australian equivalents to IFRSs for which there are no information deficiencies mitigate any concerns about widening access to AASB 1.

## ACCOUNTING STANDARD AASB 2006-2

The Australian Accounting Standards Board makes Accounting Standard AASB 2006-2 *Amendments to Australian Accounting Standards* under section 334 of the *Corporations Act 2001*.

Dated 21 March 2006

D.G. Boymal  
Chair – AASB

## ACCOUNTING STANDARD AASB 2006-2 *AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS*

### Objective

1. The objective of this Standard is to amend AASB 1 *First-time Adoption of Australian Equivalents to 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 and that is a reporting entity;**
  - (b) **general purpose financial reports of each other 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 30 June 2006.**
4. **This Standard may be applied to annual reporting periods beginning on or after 1 January 2005.**

## **Amendment to AASB 1**

5. Paragraph Aus3.2 is added as follows:

Aus3.2 In rare circumstances, a not-for-profit public sector entity may experience extreme difficulties in complying with the requirements of certain Australian equivalents to IFRSs due to information deficiencies that have caused the entity to state non-compliance with previous GAAP. In these cases, the conditions specified in paragraph 3 for the application of this Standard are taken to be satisfied provided the entity:

- (a) discloses in its first Australian-equivalents-to-IFRSs financial report:
  - (i) an explanation of information deficiencies and its strategy for rectifying those deficiencies; and
  - (ii) the Australian equivalents to IFRSs that have not been complied with; and
- (b) makes an explicit and unreserved statement of compliance with other Australian equivalents to IFRSs for which there are no information deficiencies.