

Compiled AASB Standard

AASB 2011-4

Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements

[AASB 124]

This compiled Standard applies to annual reporting periods beginning on or after 1 July 2013. Early application is not permitted. It incorporates relevant amendments made up to and including 18 December 2012.

Prepared on 3 October 2013 by the staff of the Australian Accounting Standards Board.



Australian Government

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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@aaab.gov.au
Website: www.aasb.gov.au

Other Enquiries

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

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Australian Accounting Standard AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (as amended) is set out in paragraphs 1 – 6. All the paragraphs have equal authority.

COMPILATION DETAILS

Accounting Standard AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements as amended

This compiled Standard applies to annual reporting periods beginning on or after 1 July 2013. It takes into account amendments up to and including 18 December 2012 and was prepared on 3 October 2013 by the staff of the Australian Accounting Standards Board (AASB).

This compilation is not a separate Accounting Standard made by the AASB. Instead, it is a representation of AASB 2011-4 (July 2011) as amended by other Accounting Standards, which are listed in the Table below.

Table of Standards

Standard	Date made	Application date (annual reporting periods ... on or after ...)	Application, saving or transitional provisions
AASB 2011-4	7 Jul 2011	(beginning) 1 Jul 2013	see (a) below
AASB 2012-11	18 Dec 2012	(beginning) 1 Jul 2013	see (b) below

- (a) Early application of this Standard is not permitted.
(b) Early application of this Standard is not permitted for the amendments to AASB 2011-4.

Table of Amendments

Paragraph affected	How affected	By ... [paragraph]
2	amended	AASB 2012-11 [21]

ACCOUNTING STANDARD AASB 2011-4

The Australian Accounting Standards Board made Accounting Standard AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* under section 334 of the *Corporations Act 2001* on 7 July 2011.

This compiled version of AASB 2011-4 applies to annual reporting periods beginning on or after 1 July 2013. It incorporates relevant amendments contained in other AASB Standards made by the AASB up to and including 18 December 2012 (see Compilation Details).

ACCOUNTING STANDARD AASB 2011-4

AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS TO REMOVE INDIVIDUAL KEY MANAGEMENT PERSONNEL DISCLOSURE REQUIREMENTS

Objective

- 1 The objective of this Standard is to make amendments to AASB 124 *Related Party Disclosures* to remove individual key management personnel disclosure requirements.

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 statements of each other 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 2013. Early adoption of this Standard is not permitted.**

[Note: For application dates of paragraphs changed or added by an amending Standard, see Compilation Details.]

Amendments to AASB 124

- 4 Paragraphs Aus1.1, Aus1.4, Aus1.4.1, Aus1.5, Aus1.9 and paragraphs Aus29.1 to Aus29.9.3, including headings associated with paragraphs Aus29.1 to Aus29.9.3, are deleted from AASB 124.
- 5 Paragraph Aus1.3 is amended to read as follows:
- Aus1.3 This Standard does not apply to general purpose financial statements of not-for-profit public sector entities.
- 6 Paragraph Aus1.8 is amended to read as follows:
- Aus1.8 The requirements of this Standard apply to the financial statements where information resulting from their application is material in accordance with AASB 1031 *Materiality*.

BASIS FOR CONCLUSIONS

Background

- BC1 This Basis for Conclusions summarises the AASB's considerations in deciding that the disclosure requirements regarding individual key management personnel (KMP) should be removed from AASB 124 *Related Party Disclosures*. Individual AASB members gave greater weight to some factors than to others.

Additional Australian requirements

- BC2 The AASB adopts International Financial Reporting Standards (IFRSs) by incorporating them into Australian Accounting Standards and publicly accountable for-profit entities are required to apply them in preparing their general purpose financial statements. (Public accountability is defined in AASB 1053 *Application of Tiers of Australian Accounting Standards* and includes listed and other disclosing entities.) The AASB includes some disclosure requirements that are in addition to the IFRSs, but aims to keep these to a minimum on the basis that the IFRSs represent best international practice for general purpose financial reporting of publicly accountable for-profit entities.
- BC3 Prior to adopting IFRSs in 2005, the AASB had on issue AASB 1046 *Director and Executive Disclosures by Disclosing Entities*, which included disclosure requirements in respect of the compensation, equity holdings and loans of individual KMP. When IFRSs were adopted, these requirements were largely carried forward for disclosing entities as 'Aus' paragraphs in AASB 124, which incorporates IAS 24 *Related Party Disclosures*.
- BC4 Section 300A of the *Corporations Act 2001* and Regulation 2M.3.03 were amended in 2007 to require disclosing entities that are companies to report individual remuneration information in the directors' report.¹ The AASB responded by amending AASB 124 to relieve disclosing entities that are companies from complying with the paragraphs in AASB 124 that have been included in the Corporations Act and Regulation 2M.3.03, following a due process that involved issuing ED 162 *Proposed Amendments to Key Management Personnel Disclosures by Disclosing Entities* in April 2008 for public comment. The resulting amendment avoided

¹ Corporations Act Regulation 2M.6.04 permitted listed companies to avoid making the same disclosures twice; however, the Corporations Amendment Regulations 2007 (No. 2) removed that regulation.

requiring each disclosing entity that is a company to disclose this information twice – in its directors' report and in its financial statements.² The existing AASB 124 retains Australian-specific individual KMP disclosure requirements on remuneration in relation to disclosing entities other than companies, and on equity holdings, loans, and other transactions and balances in relation to all disclosing entities.

Constituent views

- BC5 A number of constituents who commented on ED 162 encouraged the Board to consider removing all the individual KMP disclosure requirements (Aus paragraphs) from AASB 124. Accordingly, in ED 200A *Proposals to Harmonise Australian and New Zealand Standards in Relation to Entities Applying IFRSs as Adopted in Australia and New Zealand* (issued in July 2010) the AASB specifically sought comment on whether the individual KMP disclosure requirements should be retained or removed. All of those who responded to this question supported their removal.
- BC6 The views expressed by constituents on ED 162 and ED 200A were largely based on two factors:
- (a) a view that individual KMP disclosures are a governance matter that would be most appropriately dealt with directly by the Government through the Corporations Act; and
 - (b) a desire to remove as much Australian specific text from the AASB's Standards that incorporate IFRSs so that those Standards replicate as closely as possible the content of the IFRSs as issued by the IASB.
- BC7 Constituents have also raised concerns about the potential for confusion because all of the AASB 124 individual KMP disclosures apply to disclosing entities that are not companies, while only a subset of those disclosures apply to disclosing entities that are companies (as explained in paragraph BC4).

New Zealand Convergence

- BC8 The AASB and the New Zealand accounting standard setter have been converging their standards over recent years. A key aim is to meet the Outcome Proposals set by the Australian and New Zealand governments, which include enabling for-profit entities to use a single

² AASB 2008-4 *Amendments to Australian Accounting Standard – Key Management Personnel Disclosures by Disclosing Entities*

set of accounting standards and prepare only one set of financial statements for both jurisdictions.³ The New Zealand accounting standards also incorporate IFRSs and do not contain additional individual KMP disclosure requirements.

- BC9 The AASB concluded that it is in the interests of trans-Tasman convergence, and achieving the Outcome Proposals, to remove the individual KMP disclosure requirements from Australian Accounting Standards.
- BC10 The AASB noted that the Australian Treasury and New Zealand Ministry of Economic Development are aware that the legislative requirements regarding individual KMP disclosures may need to be changed in order to align them across the two jurisdictions.

Nature of Disclosures

- BC11 The AASB 1046 disclosure requirements (noted in paragraph BC3) that were carried forward when Australia adopted IFRSs were, in part, the product of an earlier policy of removing disclosure requirements from corporations legislation and including them in accounting standards. In the years since adopting IFRSs, there has been more emphasis on including governance-type disclosures directly in legislation.
- BC12 More disclosure requirements have been added to Section 300A of the Corporations Act regarding disclosures about individual KMP as well as a requirement for a remuneration report for listed companies since the AASB first made the Standards incorporating IFRSs.
- BC13 The AASB concluded that the IAS 24 requirements (included in AASB 124) to disclose amounts of aggregate KMP compensation as well as treating KMP as related parties for the purposes of the other disclosure requirements are sufficient in the context of the role of accounting standards in meeting the objective of general purpose financial reporting.⁴

Timing

- BC14 The amendments to AASB 124 to remove the disclosure requirements regarding individual KMP are applicable to annual

³ More information is available from the Trans-Tasman Outcomes Implementation Group website – www.treasury.gov.au/ttoig.

⁴ The objective of financial reporting is currently identified in SAC 2 *Objective of General Purpose Financial Reporting and Framework for the Preparation and Presentation of Financial Statements*.

reporting periods beginning on or after 1 July 2013, and early adoption is not permitted. Accordingly, relevant disclosing entities will need to comply with the disclosure requirements for at least another two years.

- BC15 The AASB concluded that the transition period should be sufficient to allow the relevant government agencies to consider whether there is a need to amend their existing requirements regarding disclosures relating to individual KMP and, if so, the manner in which they should be amended. In particular, the AASB was mindful of allowing sufficient time to conduct any relevant public consultation in view of other developments that are taking place in connection with governance disclosure requirements.