

AASB Standard

AASB 2016-2
March 2016

Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107



Australian Government

**Australian Accounting
Standards Board**

Obtaining a copy of this Accounting Standard

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Australian Accounting Standard AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107* is set out on pages 5 – 7. All the paragraphs have equal authority.

Preface

Standards amended by AASB 2016-2

This Standard makes amendments to AASB 107 *Statement of Cash Flows* (August 2015).

These amendments arise from the issuance of International Financial Reporting Standard *Disclosure Initiative (Amendments to IAS 7)* by the International Accounting Standards Board (IASB) in January 2016.

Main features of this Standard

Main requirements

This Standard amends AASB 107 *Statement of Cash Flows* (August 2015) to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

Reduced disclosure requirements

The new disclosure requirements do not apply to entities preparing general purpose financial statements complying with Tier 2 reporting requirements.

Application date

This Standard applies to annual periods beginning on or after 1 January 2017. Earlier application is permitted.

Accounting Standard AASB 2016-2

The Australian Accounting Standards Board makes Accounting Standard AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107* under section 334 of the *Corporations Act 2001*.

Dated 23 March 2016

Kris Peach
Chair – AASB

Accounting Standard AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*

Objective

This Standard amends AASB 107 *Statement of Cash Flows* (August 2015) as a consequence of the issuance of International Financial Reporting Standard *Disclosure Initiative (Amendments to IAS 7)* by the International Accounting Standards Board in January 2016.

Application

The amendments set out in this Standard apply to entities and financial statements in accordance with the application of the other Standards and Interpretations set out in AASB 1057 *Application of Australian Accounting Standards* (as amended).

This Standard applies to annual periods beginning on or after 1 January 2017. This Standard may be applied to annual periods beginning before 1 January 2017. When an entity applies this Standard to such an annual period, it shall disclose that fact.

This Standard uses underlining, striking out and other typographical material to identify some of the amendments to AASB 107, in order to make the amendments more understandable. However, the amendments made by this Standard do not include that underlining, striking out or other typographical material. Amended paragraphs are shown with deleted text struck through and new text is underlined. Ellipses (...) are used to help provide the context within which amendments are made and also to indicate text that is not amended.

Amendments to AASB 107 *Statement of Cash Flows* (August 2015)

Paragraphs 44A–44E and the related heading is added. Paragraph 60 is also added.
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Changes in liabilities arising from financing activities

44A An entity shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

44B To the extent necessary to satisfy the requirement in paragraph 44A, an entity shall disclose the following changes in liabilities arising from financing activities:

- (a) changes from financing cash flows;
- (b) changes arising from obtaining or losing control of subsidiaries or other businesses;
- (c) the effect of changes in foreign exchange rates;
- (d) changes in fair values; and
- (e) other changes.

- 44C Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities. In addition, the disclosure requirement in paragraph 44A also applies to changes in financial assets (for example, assets that hedge liabilities arising from financing activities) if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.
- 44D One way to fulfil the disclosure requirement in paragraph 44A is by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including the changes identified in paragraph 44B. Where an entity discloses such a reconciliation, it shall provide sufficient information to enable users of the financial statements to link items included in the reconciliation to the statement of financial position and the statement of cash flows.
- 44E If an entity provides the disclosure required by paragraph 44A in combination with disclosures of changes in other assets and liabilities, it shall disclose the changes in liabilities arising from financing activities separately from changes in those other assets and liabilities.

Effective date

- 60 AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*, issued in March 2016, added paragraphs 44A–44E. An entity shall apply those amendments for annual periods beginning on or after 1 January 2017. Earlier application is permitted. When the entity first applies those amendments, it is not required to provide comparative information for preceding periods.

In Appendix A, paragraph AusA1 is amended.

AusA1 Paragraphs Aus20.2, 40, 41, 44A-44E, 46, 50(d) and 52 of this Standard do not apply to entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements. Entities applying Australian Accounting Standards – Reduced Disclosure Requirements may elect to comply with some or all of these excluded requirements.

Amendments to the Illustrative examples accompanying AASB 107 Statement of Cash Flows

Note E is added to the existing Illustrative Example A.

As explained in paragraph 1 of the illustrative example, the example shows only current period amounts. Corresponding amounts for the preceding period are required to be presented in accordance with AASB 101 *Presentation of Financial Statements*, except when an entity first applies paragraphs 44A–44E of AASB 107 (see paragraph 60 of AASB 107).

Notes to the statement of cash flows (direct method and indirect method)

E. Reconciliation of liabilities arising from financing activities

	20X1	Cash flows	Non-cash changes		20X2
			Acquisition	New leases	
Long-term borrowings	1,040	250	200	–	1,490
Lease liabilities	–	(90)	–	900	810
Long-term debt	<u>1,040</u>	<u>160</u>	<u>200</u>	<u>900</u>	<u>2,300</u>

A new example (Example C) is inserted after the existing Illustrative Examples A and B.

C Reconciliation of liabilities arising from financing activities

- 1 This example illustrates one possible way of providing the disclosures required by paragraphs 44A–44E.
- 2 The example shows only current period amounts. Corresponding amounts for the preceding period are required to be presented in accordance with AASB 101 *Presentation of Financial Statements*.

	20X1	Cash flows	Non-cash changes			20X2
			Acquisition	Foreign exchange movement	Fair value changes	
Long-term borrowings	22,000	(1,000)	–	–	–	21,000
Short-term borrowings	10,000	(500)	–	200	–	9,700
Lease liabilities	4,000	(800)	300	–	–	3,500
Assets held to hedge long-term borrowings	(675)	150	–	–	(25)	(550)
Total liabilities from financing activities	<u>35,325</u>	<u>(2,150)</u>	<u>300</u>	<u>200</u>	<u>(25)</u>	<u>33,650</u>

Commencement of the legislative instrument

For legal purposes, this legislative instrument commences on 31 December 2016.