

AASB Standard

AASB 105X
December 2012

Budgetary Reporting



Australian Government

Australian Accounting Standards Board

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Australian Accounting Standard AASB 105X *Budgetary Reporting* is set out in paragraphs 1 – 14 and Appendix A. All the paragraphs have equal authority. Paragraphs in **bold type** state the main principles. Terms defined in Appendix A are in *italics* the first time they appear in the Standard. AASB 105X 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.

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.

Tier 1 requirements 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.

Publicly accountable for-profit private sector entities are required to adopt Tier 1 requirements, and therefore are required to comply with IFRSs. Furthermore, other for-profit private sector entities complying with Tier 1 requirements will simultaneously comply with IFRSs. Some other entities complying with Tier 1 requirements will also simultaneously comply with IFRSs.

Tier 2 requirements comprise the recognition, measurement and presentation requirements of Tier 1 but substantially reduced disclosure requirements in comparison with Tier 1.

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. These requirements do not prevent publicly accountable for-profit private sector entities from complying with IFRSs. 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.

Reasons for Issuing this Standard

Prior to this Standard, although AASB 1049 *Whole of Government and General Government Sector Financial Reporting* contained budgetary reporting requirements for the whole of government and GGS of the Australian Government and State and Territory Governments, there were no requirements in Australian Accounting Standards addressing budgetary reporting by other public sector entities. This Standard sets out budgetary reporting requirements for not-for-profit entities within the GGS of the Australian Government and State and Territory Governments, and relocates the corresponding budgetary reporting requirements for the whole of government and GGS of the Australian Government and State and Territory Governments from AASB 1049.

Main Features of this Standard

Application Date

This Standard applies to annual reporting periods beginning on or after 1 July 2014. Earlier application is permitted, provided that AASB 2012-XX *Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements* is also applied to the same period.

Main Requirements

This Standard specifies the nature of budgetary disclosures and the circumstances in which they are to be included in:

- (a) the financial statements of GGSs;
- (b) the whole of government general purpose financial statements; and
- (c) the general purpose financial statements of not-for-profit entities within the GGS (irrespective of the legal structure or size of those entities).

In particular, it requires that, where budgeted financial statements reflecting controlled items or budgeted financial information reflecting administered items are presented to parliament, the original budgeted financial statements or information are disclosed, restated if necessary to align with the presentation and classification adopted for:

- (a) the corresponding financial statements, in relation to budgeted controlled items; and
- (b) the corresponding information about administered items disclosed in accordance with AASB 1050 *Administered Items*, in relation to budgeted administered items.

Furthermore, explanations of major variances between actual and budgeted amounts are required to be disclosed.

Reduced Disclosure Requirements

The requirements of this Standard are applicable to not-for-profit entities within the GGS applying Tier 2 requirements. Therefore, Tier 2 requirements are the same as Tier 1 requirements.

COMPARISON WITH IASB PRONOUNCEMENTS

AASB 105X and International Financial Reporting Standards

At the date of issue, there is no specific Standard issued by the International Accounting Standards Board dealing with budgetary information to be included in:

- (a) the financial statements of the GGS;
- (b) the whole of government general purpose financial statements; or
- (c) the general purpose financial statements of not-for-profit entities within the GGS,

of the Australian Government and State and Territory Governments.

ACCOUNTING STANDARD AASB 105X

The Australian Accounting Standards Board makes Accounting Standard AASB 105X *Budgetary Reporting*.

Dated

Kevin M. Stevenson
Chair – AASB

ACCOUNTING STANDARD AASB 105X

BUDGETARY REPORTING

Objective

- 1 The objective of this Standard is to specify budgetary disclosure requirements for the whole of government, *General Government Sector (GGS)* and not-for-profit *entities within the GGS* of each government. Disclosures made in accordance with this Standard provide users with information relevant to assessing performance of an entity, including accountability for resources entrusted to it.

Application and Scope

- 2 **This Standard applies to:**
 - (a) **whole of government general purpose financial statements of each government;**
 - (b) **financial statements of each government's GGS;**
 - (c) **general purpose financial statements of each not-for-profit reporting entity within the GGS; and**
 - (d) **financial statements of each not-for-profit entity within the GGS 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 2014.**
- 4 **This Standard may be applied to annual reporting periods beginning before 1 July 2014, provided that AASB 2012-XX *Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements* is also applied to the same period.**

- 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*.

Budgetary Information

- 6 Where an entity's budgeted:
- (a) statement of financial position;
 - (b) statement of profit or loss and other comprehensive income;
 - (c) separate statement of profit or loss;
 - (d) statement presenting comprehensive income;
 - (e) statement of changes in equity; or
 - (f) statement of cash flows;
- reflecting controlled items is presented to parliament and is separately identified as relating to that entity, the entity shall disclose for the reporting period:
- (g) that original budgeted financial statement presented to parliament, presented and classified on a basis that is consistent with the presentation and classification adopted in the corresponding financial statement; and
 - (h) explanations of major variances between the actual amounts presented in the financial statements and the corresponding original budget amounts.
- 7 Where an entity's budgeted financial information reflecting major classes of administered income and expenses, or major classes of administered assets and liabilities, is presented to parliament and is separately identified as relating to that entity, the entity shall disclose for the reporting period:
- (a) that original budgeted financial information presented to parliament, presented and classified on a basis that is consistent with the presentation and classification adopted for the corresponding information about administered items disclosed in accordance with AASB 1050 *Administered Items*; and

- (b) **explanations of major variances between the actual amounts disclosed in the financial statements in accordance with AASB 1050 and the corresponding original budget amounts.**

8 Comparative budgetary information in respect of the previous period need not be disclosed.

- 9 The original budget is the first budget presented to parliament in respect of the reporting period.
- 10 Any revised budget that is presented to parliament during the reporting period may be disclosed in the financial statements in addition to the original budget and might need to be referred to in explanations of major variances as noted in paragraph 14.
- 11 Information provided in accordance with paragraph 6 or 7 facilitates users of financial statements (including taxpayers) making and evaluating decisions about the allocation of scarce resources and for assessing the discharge of an entity's accountability. The budget information is disclosed on the same presentation and classification bases adopted for the corresponding actual information in the financial statements, to facilitate a comparison of actual outcomes against the budget. Accordingly:
 - (a) in relation to controlled items, to the extent the presentation and classification bases adopted in the budget presented to parliament are not consistent with the corresponding financial statements, the budget presented to parliament is restated for disclosure purposes to align with the presentation and classification bases adopted in the corresponding financial statements. As such, the budget information may be presented in the corresponding financial statements; and
 - (b) in relation to administered items of entities within the GGS, to the extent the presentation and classification bases adopted in the budget presented to parliament are not consistent with the corresponding information about administered items disclosed in accordance with AASB 1050, the budget presented to parliament is restated for disclosure purposes to align with the presentation and classification bases adopted for the corresponding information about administered items disclosed in accordance with AASB 1050. As such, the budget information may be disclosed with the corresponding information about administered items, including where the corresponding information about administered items is disclosed with the financial statements.

- 12 Budgeted financial information reflecting administered income and expenses, or assets and liabilities, presented to parliament that is subject to the requirements of paragraph 7 would, consistent with AASB 1050, at a minimum, contain information about major classes of administered income and expenses, or major classes of administered assets and liabilities. Accordingly, if an entity within the GGS's budgeted information is presented to parliament only at a more highly summarised level, for example, budgeted aggregate of administered income and expenses, that entity would not be required to report the budgetary information specified in paragraph 7. Similarly, the requirements in paragraph 6 do not apply where an entity's budgeted controlled items are presented at a more highly summarised level than the level of information required by Australian Accounting Standards to be presented in the financial statements.
- 13 The budgetary reporting requirements in this Standard only apply to an entity within the GGS where budgeted information about controlled or administered items is separately identified as relating to that entity within the budgetary information presented to parliament. Accordingly, for example, where:
- (a) a consolidated GGS budget presented to parliament incorporates an entity within the GGS's budget in a way that the individual entity's budget is not separately identified as relating to that entity; and
 - (b) a separate individual budget is not presented to parliament for that entity;
- that entity's budget is not regarded as having been presented to parliament and therefore the entity is not required to report the budgetary information specified in this Standard.
- 14 The explanations of major variances required to be disclosed by paragraph 6(h) or 7(b) are those relevant to an assessment of the discharge of accountability and to an analysis of performance of an entity, not merely focusing on the numerical differences between original budget and actual amounts. They include high-level explanations of the causes of major variances rather than merely the nature of the variances. Accordingly, even when there are no major numerical differences between the original budget and actual amounts, an entity might need to have regard to any revised budgets presented to parliament and include explanations for major numerical differences between any revised budget and actual amounts. Such explanations are made when they are relevant for the assessment of the discharge of accountability and to an analysis of the performance of an entity.

APPENDIX A

DEFINED TERMS

This appendix is an integral part of AASB 105X.

ABS GFS Manual	Australian Bureau of Statistics (ABS) publications <i>Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2005</i> (ABS Catalogue no. 5514.0) and <i>Amendments to Australian System of Government Finance Statistics, 2005</i> (ABS Catalogue No. 5514.0) published on the ABS website.
entity within the GGS	Any legal, administrative, or fiduciary arrangement, organisational structure or other party (including a person) within the GGS having the capacity to deploy scarce resources in order to achieve objectives.
General Government Sector (GGS)	Institutional sector comprising all <i>government units</i> and <i>non-profit institutions</i> controlled and mainly financed by government. Defined in the ABS GFS Manual (Glossary, page 256).
government	The Australian Government, the Government of the Australian Capital Territory, New South Wales, the Northern Territory, Queensland, South Australia, Tasmania, Victoria or Western Australia.
government units	Unique kinds of legal entities established by political processes which have legislative, judicial or executive authority over other <i>institutional units</i> within a given area and which: (i) provide goods and services to the community and/or individuals free of charge or at prices that are not economically significant; and (ii) redistribute income and wealth by means of taxes and other compulsory transfers. Defined in the ABS GFS Manual (Glossary, page 257).
institutional unit	An economic entity that is capable, in its own right, of owning assets, incurring liabilities and engaging in economic activities and in transactions with other entities. Defined in the

ABS GFS Manual (Glossary, page 257)

non-profit institution

A legal or social entity that is created for the purpose of producing or distributing goods and services but is not permitted to be a source of income, profit or other financial gain for the units that establish, control or finance it. Defined in the ABS GFS Manual (Glossary, page 260).

BASIS FOR CONCLUSIONS

This Basis for Conclusions accompanies, but is not part of, AASB 105X.

Background

- BC1 AASB 105X *Budgetary Reporting* arises from the Australian Accounting Standards Board's deliberations of the proposals in ED 212 *Not-for-Profit Entities within the General Government Sector* (issued in June 2011) relating to budgetary reporting.
- BC2 This is not an area in which the IASB has developed an IFRS. The Board considered IPSAS 24 *Presentation of Budget Information in Financial Statements* and concluded that it does not provide an appropriate basis for budgetary reporting in the Australian environment, particularly because it gives primacy to the budget basis of presentation and classification over the accounting basis of presentation and classification and contemplates explanations of variances being disclosed outside the financial report.
- BC3 Consistent with its general approach of issuing topic-based rather than industry-based standards, the Board decided to locate budgetary reporting requirements for not-for-profit entities within the GGS in a separate topic-based Standard. Accordingly, the Board also decided to relocate the budgetary reporting requirements from paragraphs 59-65 of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*¹ (without substantive amendment) into AASB 105X. Hence, the Board issued, at the same time as AASB 105X, AASB 2012-XX *Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements* to remove the budgetary reporting requirements for each government's whole of government and GGS from AASB 1049.
- BC4 As explained in paragraphs BC7 and BC12 below, the Board decided that the principles underpinning the budgetary reporting requirements in AASB 1049 should apply to not-for-profit entities within the GGS. Accordingly, in AASB 105X, the budgetary reporting requirements that were in AASB 1049 are integrated with the budgetary reporting requirements for not-for-profit entities within the GGS.

¹ As noted in the Basis for Conclusions accompanying AASB 1049, AASB 1049 was issued in response to the Financial Reporting Council's direction. The direction was, among other things, to achieve an Australian Accounting Standard "... in which the outcome statements are directly comparable with the relevant budget statements". The budgetary reporting requirements previously included in AASB 1049 were consistent with this aspect of the FRC's direction.

- BC5 In relation to not-for-profit entities within the GGS, AASB 105X provides guidance on how the budgetary reporting principles previously in AASB 1049 apply in the context of an entity within the GGS, including guidance relating to administered items, for circumstances where:
- (a) an entity's budgetary information is incorporated into a consolidated budget of its parent; or
 - (b) only summarised budgetary information is presented to parliament.
- BC6 This Basis for Conclusions summarises the Board's main considerations in reaching the conclusions in developing AASB 105X. It comprises the Board's main considerations relating to budgetary reporting requirements previously included in the Basis for Conclusions of AASB 1049 and AASB 2011-13 *Amendments to Australian Accounting Standard – Improvements to AASB 1049*, as well as the Board's subsequent deliberations relating to ED 212's proposals. Individual Board members gave greater weight to some factors than to others.

Entities Subject to the Requirements

- BC7 The Board decided to extend the application of the principles underpinning the budgetary reporting requirements in AASB 1049 to not-for-profit entities within the GGS, which include government departments and statutory authorities. This was on the basis that adoption of those principles has the potential to improve the financial reporting by those entities in the relatively short term. Furthermore, such entities are a significant group for which there is a formal requirement that budgets are published. Accordingly, the current requirements for governments to present budgets to parliament provide a context for specifying the budgetary reporting requirements for not-for-profit entities within the GGS.
- BC8 In limiting the types of entities that are included within the scope of AASB 105X, the Board noted that governments typically budget on a GGS basis rather than on a whole of government basis, and might present budgets for individual not-for-profit entities within the GGS to parliament.

Entities Not Subject to the Requirements

- BC9 The Board considered expanding the scope of the budgetary reporting requirements to a broader range of public sector entities, for example,

local governments or not-for-profit entities controlled by government outside the GGS. However, for the reasons given in paragraph BC7, the Board decided to limit the scope of AASB 105X to each government's whole of government and GGS and not-for-profit entities within the GGS. The Board noted it could in the future, as a separate project, address budgetary reporting requirements of a broader range of public sector entities.

- BC10 The Board decided not to consider budgetary reporting requirements for private sector entities (whether for-profit or not-for-profit) on the basis that, in contrast to the public sector, there is no formal requirement to make a private sector entity's budgets public.
- BC11 In developing the budgetary reporting requirements that were previously in AASB 1049, the Board noted that, as part of the Uniform Presentation Framework, typically Australian jurisdictions publish GGS budget information together with budget information relating to the Public Non-Financial Corporation (PNFC) sector (and the Non-Financial Public Sector, comprising the GGS and PNFC sector) but not the Public Financial Corporation (PFC) sector. The Board considered whether sector-based budgetary information should be required to be disclosed in the whole of government financial report. The Board concluded that because the PNFC sector and PFC sector are not required by Australian Accounting Standards to prepare separate financial reports, a requirement to disclose budget information for the PNFC sector and PFC sector in whole of government financial reports would be onerous and of limited use to users even if that budget information is presented to parliament. The Board also noted that GGS budgetary information is required to be disclosed in GGS financial statements in accordance with AASB 105X. Accordingly, the Board concluded that sector-based budgetary information should not be required to be disclosed in whole of government financial statements.

Budgetary Reporting Requirements

- BC12 In issuing AASB 105X, the Board noted that Australian Accounting Standards, including AASB 105X, do not prescribe the preparation of a budget. Within that context, as noted in paragraph BC7, the Board decided that budgetary reporting requirements for not-for-profit entities within the GGS should be consistent with the budgetary reporting requirements previously included in AASB 1049. This was on the basis that the requirements are working satisfactorily in practice, as evidenced by the post-implementation review of that Standard conducted in March 2010, and there is no conceptual reason

to not subject such entities to similar budgetary reporting requirements under similar circumstances.

- BC13 The Board decided to extend the application of the budgetary reporting principles in AASB 1049 to not-for-profit entities within the GGS after considering the implications of that decision from the perspective of its role as a standard setter, the scope of financial reporting and its transaction neutral policy. Overall, the Board was persuaded by the importance of budgetary reporting for accountability purposes of those entities. The Board particularly noted that, for those entities, comparisons of current period actuals to the previous period actuals would provide an incomplete picture without the comparisons from budgets to actuals. This was because, for example, in relation to not-for-profit entities within the GGS, machinery of government changes in one period can often cause period to period comparisons to be less informative without the budget against actual comparisons.
- BC14 Accordingly, consistent with the principles underpinning the budgetary reporting requirements previously in AASB 1049, the Board concluded that AASB 105X should require disclosure of certain budgetary information where budgetary information is presented to parliament, including the original budgeted financial statements, reflecting controlled items. Similarly, where an entity within the GGS's budgeted information reflecting administered items is presented to parliament, the Board concluded that AASB 105X should require disclosure of original budgeted information reflecting administered items. In addition, the Board concluded that AASB 105X should require explanations of major variances between actual amounts and the corresponding budget amounts to be disclosed. Specific aspects of these decisions are explained in paragraphs BC15-BC28 below.
- BC15 In relation to extending the budgetary reporting requirements to administered items of not-for-profit entities within the GGS (a government's whole of government and GGS do not have administered items), the Board noted its decision not to proceed with the proposal in ED 212 to require disclosure of information for administered items 'coupled' with controlled items, on the basis that administered items would be the subject of a more fundamental review under the Board's Control in the Not-for-Profit Sector project. However, the Board considered the proposal relating to budgetary information about administered items to be a separate issue. On that basis, consistent with the budgetary reporting requirements for controlled items, the Board decided that if original budgeted information about administered items is presented to parliament it should be required to be disclosed in the financial report, recast if

necessary to align with the presentation and classification adopted in the financial report for the information about administered items disclosed in accordance with AASB 1050.

- BC16 The Board noted that AASB 105X has not envisaged all circumstances where budgetary reporting might be relevant and therefore not all conceivable circumstances are captured by the requirements, for example, in relation to certain kinds of administrative restructures that might take place during a period resulting in a new entity for which a budget has not been presented to parliament. However, the Board noted that the principles in AASB 105X could be applied in such circumstances. For example, if a new entity is created through a split from an existing entity (that would be ongoing), and this occurs during the budget period, although AASB 105X would not require the new entity to make budgetary disclosures (because no budget relating to the new entity was presented to parliament), the new entity might provide a comparison to the section of the budget of the ongoing entity that is relevant to the new entity. AASB 105X would require the ongoing entity to show a variance, with some explanations addressing the split and the portion of the budget related to the ongoing entity.

Budget Presented to Parliament [paragraphs 6, 7 and 13]

- BC17 The Board concluded that the budget first ‘presented’ to parliament is more relevant to users than the budget that is first ‘adopted’ by parliament. This is because the presented budget is the one most widely publicised and, accordingly, is the primary reference point for any assessment of the reliability of budgeting, identification of major variances and assessment of an entity’s performance in relation to the period.
- BC18 As noted in paragraph BC5, the Board identified the need to provide additional guidance to facilitate the application of the principles previously in AASB 1049 to an individual entity within the GGS relating to budgets incorporated into a parent’s consolidated budget or where only summarised budget information is presented to parliament. Accordingly, the Board decided to clarify the meaning of the phrase ‘budget ... presented to parliament’ for not-for-profit entities within the GGS in paragraph 13 of AASB 105X.

Original versus Revised Budget [paragraphs 6(g), 7(a), 9 and 10]

BC19 For the same reason outlined in paragraph BC17 relating to the presented versus the adopted budget, the Board concluded that the original budget, rather than a subsequently revised budget, is a primary reference point for assessing accountability. This is because a revised budget, possibly revised late in a period, would limit the ability of users to assess how well an entity performed over the whole period against its objectives reflected in the original budget. Accordingly, the Board decided that the budgetary disclosures required by AASB 105X should be based on the original budget, with a discretion to disclose any additional revised budgets, acknowledging that disclosure of revised budgets may occur late in the financial period and their disclosure can provide useful input to assessments of an entity's performance and inform users of budget updates.

Restating the presentation and classification of budgetary information [paragraphs 6(g), 7(a), and 11]

BC20 The Board decided that the budgetary information required by AASB 105X should be restated, if necessary, to align with the presentation and classification adopted in the financial statements for controlled items and the information about administered items disclosed in accordance with AASB 1050.

BC21 The Board considered whether the budget should also be required to be recast to align with recognition and measurement principles adopted for actual amounts. The Board noted the practical difficulties of recasting amounts for recognition and measurement differences – e.g. retrospectively determining 'budgeted' fair values when hindsight is likely to influence such a determination. Accordingly, the requirements in paragraphs 6(g), 7(a) and 11 of AASB 105X are expressed in a way that the budget should be restated solely for presentation and classification matters, not for recognition and measurement matters.

BC22 The Board noted that as a result of this conclusion variances might arise from recognition and measurement principles adopted in the budget being different from the recognition and measurement principles adopted in the financial statements. Accordingly, AASB 105X requires disclosure of explanations of major variances between actual and budget amounts that might include variances arising from recognition and measurement differences.

Explanation of Major Variances [paragraphs 6(h), 7(b) and 14]

- BC23 The Board noted that the requirement to include explanations of major variances between budgeted and actual financial information is questioned by some practitioners for two primary reasons:
- (a) in relation to whole of government and GGS financial statements, the requirement to explain variances is unnecessary as the variance explanations are not relevant to users because variance explanations are more relevant at entity level and the reasons for changes in budgetary assumptions are explained every time the budgets are updated; and
 - (b) the inclusion of unaudited budgetary information within the audited financial statements results in references in an audit report in relation to budget information within the statements.
- BC24 However, the Board concluded that the requirement for disclosure of explanations of major variances should be a key feature within the Standard. It did so on the basis that the information is relevant to users and that merely recording the amount of the variance is not sufficient to meet accountability needs. An explanation of major variances is critical if users are to find comparisons between actual and budget valuable input to their analysis of the performance of an entity. A similar requirement exists within the New Zealand Accounting Standards.
- BC25 Although the budgetary disclosures in AASB 105X are to be based on the original budget, the Board noted that the requirement to disclose explanations of major variances between an original budget and actual amounts might need to include references to revisions during a period, particularly if an entity's structure or objectives are changed during the period, or government policy changes during the period have affected the original budget. For example, where there are major numerical differences between the actual and revised budget amounts, the explanations of major variances might need to include causes that led to such differences, even if there were no major numerical differences between original budget and actual amounts. This would be particularly when omission of such explanations would result in misleading users' analysis of an entity's performance for a period or assessment of accountability.
- BC26 The Board also noted that some question the suitability of referring to 'major' variances, given the role materiality plays in standards. The Board decided to retain the reference, given it was used in AASB 1049 without insurmountable practice issues being identified.

However, the Board decided that it would reconsider the matter in due course as part of a broader consideration of terminology associated with ‘materiality’ used in a range of standards.

Auditability of Budgetary Information

BC27 The Board noted the concerns expressed by some about the auditability of the budgetary information (including explanations of major variances) that would be required to be disclosed. The Board noted that the auditors would need to understand the budget and the budget processes in order to plan the audit approach to meet the objectives of the audit. However, the auditor does not provide an opinion on the budget. Furthermore, such concerns appear to have been resolved in practice (as evident from the post-implementation review of AASB 1049). In any event, the Board noted that if any audit related issues arise, they would be matters more suited for consideration by the Auditing and Assurance Standards Board (AUASB) rather than the AASB.

The Relationship of Budgetary Requirements in AASB 105X and Disclosure Requirements about Appropriations in AASB 1004

BC28 The Board considered the relationship of AASB 105X to paragraph 64 of AASB 1004 *Contributions*, which requires government departments to provide disclosures of appropriations and other amounts authorised other than by way of appropriations, expenditures against those appropriations or other amounts and material variances between expenditures and appropriations or other amounts. The Board decided that paragraph 64 of AASB 1004 contains fundamentally different requirements from AASB 105X and should be retained, as it is focused on information concerning the acquittal of appropriations and other advances rather than the more broadly-based requirements in AASB 105X for actual to budget variance analysis.

Reduced Disclosure Requirements for Entities Applying Tier 2 Reporting Requirements

BC29 The Board noted that, under AASB 1053 *Application of Tiers of Australian Accounting Standards*, all not-for-profit entities within the GGS are Tier 2 entities (albeit that they might elect or be directed by a regulator to adopt Tier 1 requirements). Accordingly, the Board considered whether all the disclosure requirements of AASB 105X should be applied to all not-for-profit entities within the GGS, or only those applying Tier 1 requirements. In making this assessment, the Board applied the principles it adopted in determining the disclosures

in other Standards of which Tier 2 entities should be relieved. Accordingly, having regard to user needs and cost/benefit considerations, the Board decided that not-for-profit entities within the GGS applying Tier 2 requirements should be subject to all the disclosure requirements of AASB 105X.

Transitional Requirements

BC30 The Board noted that comparative budgetary information in respect of the previous period is not required to be disclosed by AASB 105X. Accordingly, the Board concluded that the requirements in AASB 105X do not warrant specific transitional relief.

Operative Date

BC31 The Board considered the date from which AASB 105X should become mandatory. Given the nature of the requirements, which affects only presentation and classification, and no comparative budgetary information required to be disclosed, AASB 105X is unlikely to cause insurmountable difficulty in its implementation. Thus, the Board decided that a period of about two years from the issue of AASB 105X before it becomes mandatory would be sufficient. The Board also decided to allow early adoption of AASB 105X.