

Australian Accounting Standard

**AAS 36**  
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# Statement of Financial Position

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## **MAIN FEATURES OF THE STANDARD**

The Standard:

- (a) requires current assets and current liabilities to be presented separately from non-current assets and non-current liabilities unless presenting assets and liabilities in the broad order of their liquidity provides more relevant and reliable information
- (b) defines a current asset as one that is expected to be realised within twelve months of the reporting date or in the normal course of the entity's operating cycle or that is held primarily for trading purposes or that is cash or a cash-equivalent asset
- (c) defines a current liability as one that is expected to be settled within twelve months of the reporting date or in the normal course of the entity's operating cycle
- (d) requires that a long-term interest-bearing liability that becomes due within twelve months of the reporting date continue to be classified as non-current when the entity has agreed to refinance the obligation on a long-term basis
- (e) requires assets to be classified according to their nature or function, and liabilities and items of equity to be classified according to their nature
- (f) requires errors to be corrected in the reporting period in which they are discovered and specifies disclosures about fundamental errors
- (g) prescribes the items to be disclosed on the face of the statement of financial position
- (h) specifies other disclosures to be made in respect of assets, liabilities and items of equity.

**AUSTRALIAN ACCOUNTING STANDARD**  
**AAS 36 “STATEMENT OF FINANCIAL POSITION”**

**1 Application**

**1.1 This Standard applies to:**

- (a) *general purpose financial reports of each reporting entity to which Accounting Standards operative under the Corporations Law do not apply*
- (b) **financial reports that are held out to be general purpose financial reports by an *entity* which is not a reporting entity, and to which Accounting Standards operative under the Corporations Law do not apply.**

1.1.1 Accounting Standards operative under the Corporations Law apply to companies and to other entities required by legislation, ministerial directive or other government authority to apply such Standards. Reporting entities which are not required to apply Accounting Standards operative under the Corporations Law are required to apply this Standard.

1.1.2 The standards specified in this Standard apply to the financial report where information resulting from their application is material in accordance with Australian Accounting Standard AAS 5 “Materiality”.

**1.2 In the event of a conflict between a requirement of this Standard and a requirement of another Standard, the requirement of the other Standard prevails.**

1.2.1 For the purpose of paragraph 1.2, the requirement in paragraph 6.3 that, in the case of a *fundamental error*, comparative amounts are not to be restated on the face of the *financial statements* is not a conflict with the requirements relating to comparative information in Australian Accounting Standard AAS 37 “Financial Report Presentation and Disclosures”.

## **2 Operative Date**

- 2.1** This Standard applies to reporting periods beginning on or after 1 July 2000.
- 2.2** This Standard may be applied to reporting periods beginning before 1 July 2000 provided there is early adoption for the same reporting period of Australian Accounting Standards AAS 1 “Statement of Financial Performance” and AAS 37 “Financial Report Presentation and Disclosures”.

## **3 Purpose of Standard**

- 3.1** The purpose of this Standard is to:
- (a) prescribe the bases for the presentation of *assets* and *liabilities*
  - (b) prescribe the bases for the classification of assets, liabilities and items of *equity*
  - (c) prescribe presentation and disclosure requirements for the statement of financial position, and *recognised* assets, liabilities and items of equity.

## **4 Presentation of Assets and Liabilities**

### **Current/Non-Current or Liquidity Presentation**

- 4.1** Subject to paragraph 4.2:
- (a) all *assets* and all *liabilities* must be categorised either as current or as non-current
  - (b) *current assets* must be presented separately from *non-current assets* and *current liabilities* must be presented separately from *non-current liabilities*.
- 4.2** All assets and all liabilities must be presented broadly in the order of their liquidity where a liquidity presentation provides more *relevant* and *reliable* information than the current/non-current presentation referred to in paragraph 4.1.

- 4.2.1 This Standard does not prescribe a single format for the presentation of the statement of financial position. The current/non-current presentation of assets and liabilities is required unless the liquidity presentation provides more relevant and reliable information about the *entity's* financial performance, financial position, and financing and investing activities.
- 4.2.2 When the entity supplies goods or services within a clearly identifiable *operating cycle*, separate presentation of current assets, current liabilities, non-current assets and non-current liabilities on the face of the statement of financial position provides useful information on the short-term solvency of the entity. This information distinguishes the net assets that are continuously circulating as working capital from those used in the entity's long-term operations. It also highlights assets expected to be realised within the next twelve months or the current operating cycle, and liabilities due for settlement within the same period.
- 4.2.3 The most useful approach to the presentation of assets and liabilities of an entity such as a *financial institution* is to classify them by their nature and list them in the order of their liquidity. This basis of presentation assists users of the financial report in assessing the liquidity and solvency position of the entity.
- 4.2.4 Examples of statements of financial position using a current/non-current presentation and a liquidity presentation are provided in Appendix 1.

### **Operating Cycle**

- 4.3 **A twelve month period must be used as the basis for identifying current assets and current liabilities when:**
- (a) **there is no single clearly identifiable operating cycle; or**
  - (b) **the operating cycle is less than twelve months.**
- 4.4 **Where there is a single clearly identifiable operating cycle that extends over a period greater than twelve months, the longer period must be used as the basis for identifying as:**
- (a) **current assets, those assets expected to be realised in, or held for sale or consumption in, the normal course of the entity's operating cycle**



- (b) **current liabilities, those liabilities arising and expected to be settled in the normal course of the entity's operating cycle.**

### **Current Assets and Current Liabilities**

- 4.4.1 Current assets include inventories and trade receivables that are sold, consumed or realised as part of the entity's normal operating cycle even when they are not expected to be realised within twelve months of the *reporting date*. In contrast, marketable securities and other investments that are not part of the entity's normal operating cycle and are held primarily for trading purposes are categorised as current assets if they are expected to be realised within twelve months of the reporting date, otherwise they are categorised as non-current assets.
- 4.4.2 Current liabilities are categorised in a similar way to current assets. Some current liabilities, such as trade payables and accruals for employee benefit *expense*, form part of the working capital used in the single clearly identifiable operating cycle of the entity. Such operating items are categorised as current liabilities even if they are not due to be settled within twelve months from the reporting date.
- 4.4.3 Other liabilities that are categorised as current include those which are not settled as part of the entity's operating cycle, but are due for settlement within twelve months of the reporting date. These include the portion of interest-bearing liabilities due to be settled within twelve months other than those to which paragraph 4.5 applies, dividends payable, income taxes and other non-trade payables.
- 4.4.4 There is no single clearly identifiable operating cycle where the entity has a mix of operating cycles, regardless of whether they are greater or less than twelve months. In such a case, a twelve month period is used for identifying current assets. Similarly, where an entity has several operating cycles predominantly occurring within a twelve month period, a twelve month period is used for identifying current assets and current liabilities.

### **Non-Current Liabilities**

- 4.5 **Where current liabilities and non-current liabilities are presented separately in accordance with paragraph 4.1, long-term interest-bearing liabilities must continue to be categorised as non-current, even when they are due to be settled within**

**twelve months of the reporting date, when all of the following conditions apply:**

- (a) the original term was for a period of more than twelve months**
- (b) the entity is committed to an agreement to refinance, or to reschedule payments, prior to the *time of completion* of the financial report.**

4.5.1 Interest-bearing liabilities that provide the financing for working capital on a long-term basis, and are not due for settlement within twelve months, are non-current liabilities. Paragraph 4.5 provides that interest-bearing liabilities originally categorised as non-current because their original term was greater than twelve months continue to be categorised as non-current under certain circumstances.

4.5.2 Some liabilities where the original term was greater than twelve months and that are due to be repaid within the next operating cycle may be expected to be refinanced or “rolled over” at the discretion of the entity and, therefore, are not expected to use current working capital of the entity. Such liabilities are considered to form part of the entity’s long-term financing and are categorised as non-current. However, in situations in which refinancing is not at the discretion of the entity (as would be the case if there were no agreement to refinance), the refinancing cannot be considered automatic and the liability is categorised as current unless the entity, prior to the time of completion of the financial report, has entered into a refinancing agreement that provides evidence that the substance of the liability at the reporting date was long-term.

4.5.3 Some entities have a series of short-term liabilities undertaken under a borrowing or credit facility. In such cases, the categorisation of the short-term liabilities as current or non-current is based on the term of the facility, provided that the continuance of the facility is not at the discretion of the lender.

**4.6 Where current liabilities and non-current liabilities are presented separately in accordance with paragraph 4.1 and an undertaking, including a covenant included in a borrowing agreement, is breached such that the liability becomes payable on demand, the liability must be categorised as current unless all of the following conditions apply:**

- (a) the lender has agreed, prior to the time of completion of the financial report, not to demand payment as a consequence of the breach**

- (b) **it is not probable that further breaches will occur within twelve months of the reporting date**
- (c) **in the absence of the breach, the liability would not have been due for settlement within twelve months of the reporting date.**

## **5 Classification**

### **Assets**

#### **5.1 Assets must be classified according to their nature or function.**

5.1.1 Classification of assets on the basis of their nature or function may be made according to one or more of the following factors:

- (a) their liquidity (for example, land held for sale and ready for sale may be differentiated from land that is not held for the primary purpose of sale)
- (b) their marketability (for example, specialised plant and equipment may be differentiated from other plant and equipment)
- (c) their physical characteristics (for example, land may be differentiated from buildings)
- (d) the expected timing of cash flows to be derived from them (for example, according to the time that is expected to elapse from the *reporting date* to the expected date of cash receipt)
- (e) the normal purpose for which the assets are used or held (for example, assets held for use in production may be differentiated from assets held for sale).

5.1.2 Appendix 2 contains an example of the classification of property, plant and equipment by nature or function.

### **Liabilities**

#### **5.2 Liabilities must be classified according to their nature.**

5.2.1 Classification of liabilities on the basis of their nature may be made according to one or more of the following factors:

- (a) their liquidity (for example, term loans due on a specified date may be differentiated from bank overdrafts that are due on demand)
- (b) the extent to which they are secured or guaranteed (for example, unsecured bank overdrafts may be differentiated from loans secured by a mortgage)
- (c) their expected timing of settlement (for example, according to the time that is expected to elapse from the reporting date to the expected date of payment)
- (d) their source (for example, trade creditors may be differentiated from employee entitlement liabilities)
- (e) the conditions attaching to them (for example, bank loans secured by mortgage over land and buildings may be differentiated from bank loans secured by a floating charge over assets).

5.2.2 Appendix 2 contains an example of the classification of interest-bearing liabilities by nature.

### **Setting-off Assets and Liabilities**

#### **5.3 Assets and liabilities must not be set-off unless required or permitted by another Standard.**

5.3.1 Setting-off assets and liabilities in the statement of financial position can detract from the ability of users to understand the transactions undertaken and to assess the future cash flows of the *entity*. The reporting of assets net of a 'provision' for diminution in value or of receivables net of a 'provision' for doubtful debts is not setting-off assets and liabilities because these 'provisions' are not liabilities.

### **Items of Equity**

#### **5.4 Items of *equity* must be classified according to their nature.**

5.4.1 Classification of items of equity on the basis of their nature may be made according to either or both of the following factors:

- (a) their source (for example, contributed equity may be differentiated from retained profits (surplus) or accumulated losses (deficiency))

- (b) the rights attaching to them (for example, ordinary shares presently entitled to dividends may be differentiated from ordinary shares such as those from a recent placement not presently entitled to dividends).

## **6 Errors**

**6.1 Subject to paragraph 6.2, an error made in a prior reporting period and affecting only amounts *recognised* in the statement of financial position must be corrected in the reporting period in which the error is discovered, if any of the affected *assets*, *liabilities* or items of *equity* are still recognised at the *reporting date*.**

**6.2 An error made in a prior reporting period may be corrected by amending and reissuing the financial report relating to the *preceding reporting period*.**

6.2.1 Errors in the preparation of the financial report of one or more prior reporting periods may be discovered in the current reporting period. Errors may occur as a result of mathematical mistakes, mistakes in applying *accounting policies*, misinterpretation of facts, fraud or oversights. In many cases, the correction of an error will require the recognition of *revenues* or *expenses*, and Australian Accounting Standard AAS 1 “Statement of Financial Performance” contains requirements relating to such errors. Where an error only affects amounts recognised in the statement of financial position and those affected assets, liabilities or items of equity are still recognised at the reporting date, the correction of that error is recognised in the reporting period in which it is discovered unless the *entity* has amended and reissued the financial report relating to the preceding reporting period.

6.2.2 The correction of an error is distinguished from a revision of an accounting estimate. By their nature, accounting estimates are approximations that may need revision as additional information becomes known. For example, the re-estimation of the amount of an asset and a liability based on a contingency where new information has become available does not constitute the correction of an error.

6.2.3 On rare occasions an error has a material effect on the overall financial reports of prior reporting periods as well as individual assets, liabilities or items of equity. Where such an error arises, the financial reports containing the error can no longer be considered to

have been *reliable* as at the date they were issued. These errors are referred to as *fundamental errors*. An example of a fundamental error is the inclusion in the financial report of a prior reporting period of material amounts of inventories and payables in respect of fraudulent contracts which cannot be enforced.

## **Disclosure of Fundamental Errors**

- 6.3** Where a fundamental error is discovered and has not been rectified in a reissued financial report, the comparative information must not be restated on the face of the statement of financial position or the statement of cash flows for the fundamental error, and the following must be disclosed in the reporting period in which the fundamental error is discovered:
- (a) the nature of the fundamental error
  - (b) in the notes in the financial report, the amounts of the correction of the fundamental error relating to prior reporting periods including, where practicable, restated comparative information for each prior reporting period presented in the financial report to show the information that would have been recognised in the prior reporting period had that fundamental error not been made. If it is impracticable to restate the comparative information for each prior reporting period presented, that fact must be disclosed.
- 6.3.1 The correction of a fundamental error is recognised in the financial report in the reporting period in which the fundamental error is discovered, unless the financial report relating to the preceding reporting period was amended and reissued. Additional information is disclosed in the notes in the financial report to show the statement of financial position and statement of cash flows for both the current reporting period and the reporting periods disclosed as comparative information as if the fundamental error had not been made.

## **7 Disclosures on the Face of the Statement of Financial Position**

- 7.1** The following classes of *recognised* items must be disclosed separately on the face of the statement of financial position:
- (a) *assets*:

- (i) *cash assets*
- (ii) **receivables**
- (iii) **inventories**
- (iv) **investments accounted for using the equity method**
- (v) **other financial assets, excluding amounts shown under (i), (ii), (iii) and (iv)**
- (vi) **property, plant and equipment**
- (vii) **tax assets**
- (viii) **intangible assets**
- (b) *liabilities:*
  - (i) **payables**
  - (ii) **interest-bearing liabilities**
  - (iii) **tax liabilities**
  - (iv) **provisions, excluding tax liabilities**
- (c) *equity:*
  - (i) **contributed equity**
  - (ii) **reserves**
  - (iii) **retained profits (surplus) or accumulated losses (deficiency)**
  - (iv) *outside equity interest.*

7.1.1 Paragraph 7.1 identifies those items that are so different in nature or function that they are disclosed as separate line items in the statement of financial position, unless they are not *relevant* to the circumstances of the *entity*. For example, an entity which does not have inventories at the end of the reporting period would not disclose that line item in the statement of financial position unless inventories were required to be disclosed in the comparative information.

## **Subclassifications**

- 7.2** Where relevant, further subclassifications of amounts disclosed separately in accordance with paragraph 7.1 must be disclosed either on the face of the statement of financial position or in the notes in the financial report.

## **Additional Line Items, Headings and Sub-Totals**

- 7.3** Where the entity presents *current assets* separately from *non-current assets* and *current liabilities* separately from *non-current liabilities* in accordance with paragraph 4.1, the aggregate amounts of the following items must be disclosed on the face of the statement of financial position:

- (a) current assets
- (b) non-current assets
- (c) total assets
- (d) current liabilities
- (e) non-current liabilities
- (f) total liabilities
- (g) total *parent entity* interest
- (h) total equity.

- 7.4** Where the entity presents assets and liabilities broadly in order of their liquidity in accordance with paragraph 4.2, the aggregate amounts of the following items must be disclosed on the face of the statement of financial position:

- (a) total assets
- (b) total liabilities
- (c) total parent entity interest
- (d) total equity.

- 7.5** Line items, sub-headings and sub-totals in addition to those required by paragraphs 7.1, 7.3 and 7.4 must be separately



**disclosed on the face of the statement of financial position when required by a Standard, or when necessary for an understanding of the entity's financial position.**

- 7.5.1 Additional items are disclosed on the face of the statement of financial position where separate disclosure is necessary for users to understand the entity's financial position. For example, it is appropriate to disclose property, plant and equipment that are infrastructure assets as a separate line item on the face of the statement of financial position when they are material to the entity's financial position.

## **8 Other Disclosures**

### **Assets**

#### **8.1 The following information must be disclosed:**

- (a) for each *asset* item that combines amounts expected to be recovered through sale both within twelve months and twelve months or more from the *reporting date*, the amount expected to be recovered twelve months or more after the reporting date**
- (b) the amounts of reductions in the *carrying amounts* of assets, including receivables and depreciable assets, as a deduction from the classes of assets to which they relate**
- (c) where the carrying amount of an asset exceeds its *net market value* and the carrying amount is supported by a guarantee, warranty or indemnity in relation to that asset:
  - (i) the nature of the asset**
  - (ii) the carrying amount of the asset**
  - (iii) the net market value of the asset**
  - (iv) the terms of the guarantee, warranty or indemnity**
  - (v) the names of the parties providing the guarantee, warranty or indemnity****

- (d) **the carrying amount of any *non-current assets* pledged as security for *liabilities* and the related existence and amounts of restrictions on title**
- (e) **the carrying amount of non-current assets in the course of construction**
- (f) **where land is held primarily for sale:**
  - (i) **the *cost of acquisition* of the land**
  - (ii) **costs in developing the land which have been *recognised* as part of its carrying amount**
  - (iii) **other costs which have been recognised as part of the carrying amount of the land**
  - (iv) **the carrying amount of the land**
- (g) **where an investment is an investment in an *entity* which is neither a *subsidiary* nor an interest in an entity accounted for using the equity method:**
  - (i) **the name of the entity**
  - (ii) **its principal activities**
  - (iii) **the percentage *ownership interest* held in the entity**
  - (iv) **the carrying amount of the investment.**

8.1.1 Information about the maturity dates of assets and liabilities, as is required to be disclosed by subparagraphs 8.1(a) and 8.3(a), is useful in assessing the liquidity and solvency of an entity. Australian Accounting Standard AAS 32 “Specific Disclosures by Financial Institutions” requires disclosure of the maturity dates of both financial assets and financial liabilities. Financial assets include trade and other receivables and financial liabilities include trade and other payables. Information on the expected date of recovery and settlement of non-monetary assets and non-monetary liabilities such as inventories and provisions is also useful whether assets and liabilities are classified between current and non-current or are presented on a liquidity basis.

8.1.2 The requirements of Australian Accounting Standard AAS 5 “Materiality” apply to the disclosures required by paragraph 8.1. In

particular, an investment in an entity that is neither a subsidiary nor an interest in an entity accounted for using the equity method is only required to be disclosed by subparagraph 8.1(g) when individually material to the entity reporting the investment.

**8.2 For land and buildings measured on the cost basis, other than land and buildings that are used in, or ancillary to, extractive industry operations and that possess a value that is wholly dependent on those extractive industry operations, current valuations must be determined at least once every three years, and for the most recent current valuations the following must be disclosed:**

- (a) the amounts of the valuations**
- (b) the bases of the valuations**
- (c) the reporting periods to which the valuations relate or the dates of the valuations**
- (d) whether the valuations have been determined in accordance with *independent valuations*.**

8.2.1 The land and buildings to which the disclosures required by paragraph 8.2 apply:

- (a) exclude land and buildings that are in an area of interest in an extractive industry operation or used for housing or amenities for mine employees, and land under infrastructure (such as roads and railways) that is interdependent with an extractive industry operation
- (b) include land and buildings used for head offices, or used as storage facilities that have a value that is not dependent on the entity's extractive industry operations.

8.2.2 Where the entity has not previously obtained a valuation in respect of land and buildings as required by paragraph 8.2, the entity should obtain a valuation as at a date no later than:

- (a) the end of the third annual reporting period after the operative date of this Standard; or
- (b) the end of the third annual reporting period to which this Standard is first applied.

## Liabilities

### 8.3 The following information must be disclosed:

- (a) for each liability item that combines amounts expected to be settled both within twelve months and twelve months or more from the reporting date, the amount expected to be settled twelve months or more from the reporting date
- (b) where the amount of any short-term obligation has been excluded from *current liabilities* and included in *non-current liabilities* in accordance with paragraph 4.5:
  - (i) the amount of the short-term obligation
  - (ii) details of the agreement to refinance or reschedule payments and the nature of the entity's commitment to the agreement
- (c) where liabilities have been secured, including securing by a negative pledge or by a trust deed which specifies that the amount the entity can borrow is limited to a proportion of its assets:
  - (i) the amount of each liability item secured
  - (ii) the nature and adequacy of the security relating to each liability item
- (d) the nature and amount of each individual and each class of capital commitments and of other expenditure commitments contracted for as at the reporting date, other than commitments for the supply of inventories, which have not been recognised as liabilities. The disclosures must be made in the following time bands, according to the time that is expected to elapse from the reporting date to their expected date of settlement:
  - (i) within twelve months
  - (ii) twelve months or longer and not longer than five years
  - (iii) longer than five years.

- 8.3.1 In accordance with the requirements of AAS 5, an individual commitment is required to be disclosed by subparagraph 8.3(d) only when individually material, and a class is required to be disclosed only when the class is material.

### **Operating Cycle**

- 8.4 Where the entity presents *current assets* separately from non-current assets and current liabilities separately from non-current liabilities in accordance with paragraph 4.1, and the *entity* has a single clearly identifiable *operating cycle* greater than twelve months, the length of that operating cycle must be disclosed.

### **Shares, Units and Other Forms of Equity**

- 8.5 The following information must be disclosed:
- (a) for each class of shares on issue as at the reporting date and recognised as *equity*:
    - (i) the terms and conditions attached to the class including, but not limited to, the rights, preferences and any restrictions attached to the shares including restrictions on the distribution of dividends and the repayment of capital
    - (ii) the number of shares issued and fully paid
    - (iii) the number of shares issued but not fully paid, together with the outstanding amount per share
    - (iv) an explanation of the number of shares on issue as at the reporting date, including:
      - (A) the number of shares on issue as at the beginning of the reporting period
      - (B) the nature, amount and number of shares relating to any increase or decrease in the number of shares during the reporting period
      - (C) the number of shares on issue as at the reporting date

- (v) the number of shares held by subsidiaries or associates of the entity
  - (vi) the terms, amounts and number of shares reserved for issuance under options and sales contracts
  - (vii) the amount that may be called up in the event of winding up the entity or any entity in the *economic entity*
- (b) for each class of shares recognised as equity and bought back, cancelled or subject to capital reduction during the reporting period:
- (i) a description of the nature and terms of the share buy-back, cancellation or reduction and any other information material to an understanding of the transaction
  - (ii) the number and percentage of the class of shares bought back, cancelled or subject to capital reduction
  - (iii) the cost of acquisition in relation to the share buy-back, cancellation or reduction
  - (iv) the amount credited or debited to:
    - (A) contributed equity
    - (B) reserves
    - (C) retained profits (surplus) or accumulated losses (deficiency)
    - (D) other equity accounts.

**8.6** For each class of units on issue at any time during the reporting period and recognised as equity, the following must be disclosed:

- (a) the rights, preferences and restrictions attaching to the class of unit
- (b) the number and amount of units on issue as at the beginning of the reporting period

- (c) the number and amount of units issued during the reporting period
- (d) the number and amount of units redeemed or otherwise cancelled during the reporting period
- (e) the number and amount of units on issue as at the reporting date.

**8.7** Where the entity has a form of equity capital other than shares or units on issue, the following information must be disclosed for each class of equity capital:

- (a) the rights, preferences and restrictions attaching to the class of equity capital
- (b) the number of items, if any, and amount of the class of equity capital as at the beginning of the reporting period
- (c) the nature, number of items, if any, and amount of any increase or decrease in the class of equity capital during the reporting period
- (d) the number of items, if any, and amount of the class of equity capital as at the reporting date.

**8.8** The following information must be disclosed:

- (a) for retained profits (surplus) or accumulated losses (deficiency):
  - (i) the amount as at the beginning of the reporting period
  - (ii) the nature and amount of each increase or decrease during the reporting period
  - (iii) the amount as at the reporting date
- (b) for each reserve within equity:
  - (i) a description of the nature and purpose of the reserve
  - (ii) the amount as at the beginning of the reporting period

- (iii) the nature and amount of each increase or decrease during the reporting period
- (iv) the amount as at the reporting date.

## **9 Definitions**

### **9.1 In this Standard:**

***accounting policies*** means the specific accounting principles, bases or rules adopted in preparing and presenting the financial report

***assets*** means future economic benefits controlled by the *entity* as a result of past transactions or other past events

***carrying amount*** means, in relation to an *asset* or a *liability*, the amount at which the asset or liability is recorded in the accounting records as at a particular date

***cash assets*** means *cash on hand* and *cash-equivalent assets*

***cash-equivalent assets*** means highly liquid investments with short periods to maturity which are readily convertible to cash on hand at the investor's option and are subject to an insignificant risk of changes in value

***cash on hand*** means notes and coins held, and deposits held at call with a *financial institution*

***cost of acquisition*** means the purchase consideration plus any costs incidental to the acquisition

***current asset*** means an asset that:

- (a) is expected to be realised in, or is held for sale or consumption in, the normal course of the entity's *operating cycle*; or
- (b) is held primarily for trading purposes or for the short-term and is expected to be realised within twelve months of the *reporting date*; or



- (c) is cash or a cash-equivalent asset which is not restricted in its use beyond twelve months or the length of the operating cycle whichever is greater

*current liability* means a liability that:

- (a) arises and is expected to be settled in the normal course of the entity's operating cycle; or
- (b) is at call or due or expected to be settled within twelve months of the reporting date

*economic entity* means a group of entities comprising the *parent entity* and each of its *subsidiaries*

*entity* means any legal, administrative, or fiduciary arrangement, organisational structure or other party (including a person) having the capacity to deploy scarce resources in order to achieve objectives

*equity* means the residual interest in the assets of the entity after deduction of its liabilities

*expenses* means consumptions or losses of future economic benefits in the form of reductions in assets or increases in liabilities of the entity, other than those relating to distributions to owners, that result in a decrease in *equity* during the reporting period

*financial institution* means:

- (a) an entity (including an *economic entity*) whose principal activity is to take deposits or borrow, or both take deposits and borrow, with the objective of lending or investing in financial assets other than equity instruments, but excluding:
  - (i) entities which take deposits or borrow principally from other entities in the economic entity; and
  - (ii) general insurers, life insurers and superannuation plans; or
- (b) an entity (including an economic entity) subject to the *Banking Act 1959* or any replacement legislation

*financial statements* means statement of financial performance, statement of financial position and statement of cash flows

*fundamental errors* means material errors discovered in the current reporting period such that the financial report of one or more prior reporting periods can not now be considered to have been *reliable* at the dates of their issue

*general purpose financial report* means a financial report intended to meet the information needs common to users who are unable to command the preparation of reports tailored so as to satisfy, specifically, all of their information needs

*independent valuation* means, in relation to *non-current assets* of the entity which are the subject of a valuation, a valuation made by a person:

- (a) who is an expert in relation to valuations of that class of non-current assets
- (b) whose pecuniary or other interests could not reasonably be regarded as being capable of affecting the person's ability to give an unbiased opinion in relation to that valuation

*liabilities* means future sacrifices of economic benefits that the entity is presently obliged to make to other entities as a result of past transactions or other past events

*net market value* means the amount which could be expected to be received from the disposal of an asset in an active and liquid market after deducting costs expected to be incurred in realising the proceeds of such a disposal

*non-current assets* means all assets other than *current assets*

*non-current liabilities* means all liabilities other than *current liabilities*

*operating cycle* means the average time between the acquisition of materials entering into a process and their realisation in cash or an instrument that is readily convertible into cash

*outside equity interest* means the equity in the economic entity other than that which can be attributed to the ownership group of the parent entity

***ownership interest*** means the equity interest held by an entity directly, and/or indirectly through another entity

***parent entity*** means an entity which controls another entity

***preceding reporting period*** means the reporting period of an entity immediately preceding the reporting period to which the financial report relates

***recognised*** means reported on, or incorporated in amounts reported on, the face of the statement of financial performance or the statement of financial position (whether or not further disclosure of the item is made in notes)

***relevance*** means that quality of financial information which exists when that information influences decisions by users about the allocation of scarce resources by:

- (a) helping them form predictions about the outcomes of past, present or future events; or
- (b) confirming or correcting their past evaluations

and which enables users to assess the discharge of accountability by the management or governing body of the entity

***reliability*** means that quality of financial information which exists when that information can be depended upon to represent faithfully, and without bias or undue error, the transactions or other events that either it purports to represent or could reasonably be expected to represent

***reporting date*** means the end of the reporting period to which the financial report relates

***reporting entity*** means an entity (including an economic entity) in respect of which it is reasonable to expect the existence of users dependent on *general purpose financial reports* for information which will be useful to them for making and evaluating decisions about the allocation of scarce resources

***revenues*** means inflows or other enhancements, or savings in outflows, of future economic benefits in the form of increases in assets or reductions in liabilities of the entity, other than those relating to contributions by owners, that result in an increase in equity during the reporting period

*subsidiary* means an entity which is controlled by a parent entity

*time of completion* means:

- (a) **in the case of entities required to produce a financial report in accordance with the Corporations Law – the date of the Directors’ Declaration**
- (b) **in the case of other entities – the date of final approval of the financial report by the management or governing body of the entity, whichever is applicable.**

## APPENDICES

The Appendices form part of the commentary and are provided for illustrative purposes only. They do not include every possible disclosure that might be appropriate. Other methods of presentation which comply with the disclosure requirements in this Standard may be appropriate in the particular circumstances of the entity.

### APPENDIX 1

#### STATEMENTS OF FINANCIAL POSITION

This Appendix illustrates the format of the consolidated statements of financial position using the current/non-current and the liquidity presentations.

##### 1. Current/Non-Current Presentation

**XYZ Consolidated Entity**  
**Statement of Financial Position as at 30 June 2000**

		Consolidated <sup>1</sup>	
	Note	2000 \$'000	1999 \$'000
<b>Current Assets</b>			
Cash assets		X	X
Receivables		X	X
Inventories		X	X
Property, plant and equipment	8	X	X
Other		X	X
<b>Total Current Assets</b>		<u>X</u>	<u>X</u>
<b>Non-Current Assets</b>			
Other financial assets		X	X
Property, plant and equipment	8	X	X
Intangible assets		X	X
Deferred tax assets		X	X
Other		X	X
<b>Total Non-Current Assets</b>		<u>X</u>	<u>X</u>
<b>Total Assets</b>		<u><u>X</u></u>	<u><u>X</u></u>

<sup>1</sup> For simplicity, only the consolidated statement of financial position is illustrated.

**XYZ Consolidated Entity**  
**Statement of Financial Position as at 30 June 2000 (continued)**

	Note	2000 \$'000	1999 \$'000
<b>Current Liabilities</b>			
Payables		X	X
Interest-bearing liabilities	16	X	X
Current tax liabilities		X	X
Provisions		X	X
Other		X	X
<b>Total Current Liabilities</b>		<u>X</u>	<u>X</u>
<b>Non-Current Liabilities</b>			
Interest-bearing liabilities	16	X	X
Deferred tax liabilities		X	X
Provisions		X	X
Other		X	X
<b>Total Non-Current Liabilities</b>		<u>X</u>	<u>X</u>
<b>Total Liabilities</b>		<u>X</u>	<u>X</u>
<b>Equity</b>			
Contributed equity		X	X
Reserves		X	X
Retained profits (surplus)		X	X
<b>Parent Entity Interest</b>		<u>X</u>	<u>X</u>
<b>Outside Equity Interest</b>		<u>X</u>	<u>X</u>
<b>Total Equity</b>		<u>X</u>	<u>X</u>

Note: Entities may disclose other assets, liabilities and items of equity in addition to those specified in Section 7 of this Standard. Entities may also choose to provide additional sub-totals. For example, the statement of financial position could be presented to show:

- (a) total assets less total liabilities equals net assets/equity; or
- (b) total assets equals total liabilities plus total equity.

## 2. Liquidity Presentation

### ABC Consolidated Entity Statement of Financial Position as at 30 June 2000

		Consolidated	
	Note	2000 \$'000	1999 \$'000
<b>Assets</b>			
Cash assets		X	X
Receivables		X	X
Inventories		X	X
Investment securities		X	X
Deferred tax assets		X	X
Other assets		X	X
Property, plant and equipment		X	X
Intangible assets		X	X
<b>Total Assets</b>		<u>X</u>	<u>X</u>
<b>Liabilities</b>			
Payables		X	X
Current tax liabilities		X	X
Provisions		X	X
Other liabilities		X	X
Deferred tax liabilities		X	X
Long-term interest-bearing liabilities		X	X
<b>Total Liabilities</b>		<u>X</u>	<u>X</u>
<b>Equity</b>			
Contributed Equity		X	X
Reserves		X	X
Retained Profits (Surplus)		X	X
<b>Parent Entity Interest</b>		<u>X</u>	<u>X</u>
<b>Outside Equity Interest</b>		<u>X</u>	<u>X</u>
<b>Total Equity</b>		<u>X</u>	<u>X</u>

## APPENDIX 2

### NOTES IN THE FINANCIAL REPORT

This Appendix illustrates how property, plant and equipment and interest-bearing liabilities might be disclosed in the notes in the financial report when using the current/non-current format and adopting the nature or function classification requirements. Other methods of presentation, which comply with the disclosure requirements in this Standard, may be more appropriate in the particular circumstances of the entity.

**XYZ Consolidated Entity**  
Notes in the Financial Report  
as at 30 June 2000

**Note 8 – Property, Plant and Equipment**

	<b>Consolidated</b>	
	<b>2000</b>	<b>1999</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Land held for sale		
At cost		
Cost of acquisition	X	X
Development costs (roads and drainage)	X	X
Borrowing Costs	X	X
Rates	X	X
<b>Total Current Property, Plant and Equipment</b>	<b>X</b>	<b>X</b>
<b>Non-Current</b>		
Land		
Land held for sale		
At cost		
Cost of acquisition	X	X
Development costs (roads and drainage)	X	X
Borrowing costs	X	X
Rates	X	X
Other land		
At cost	X	X
At deemed cost	X	X
<b>Total Land</b>	<b>X</b>	<b>X</b>



	<b>Consolidated</b>	
	<b>2000</b>	<b>1999</b>
	<b>\$'000</b>	<b>\$'000</b>
Buildings		
At cost	X	X
Accumulated depreciation	(X)	(X)
	<u>X</u>	<u>X</u>
At deemed cost	X	X
Accumulated depreciation	(X)	(X)
	<u>X</u>	<u>X</u>
Leasehold improvements		
At cost	X	X
Accumulated amortisation	(X)	(X)
	<u>X</u>	<u>X</u>
Total buildings	<u>X</u>	<u>X</u>
Total land and buildings	<u>X</u>	<u>X</u>
Plant and equipment		
At cost	X	X
Accumulated depreciation	(X)	(X)
	<u>X</u>	<u>X</u>
Leased plant and equipment at cost	X	X
Accumulated amortisation	(X)	(X)
	<u>X</u>	<u>X</u>
Total plant and equipment	<u>X</u>	<u>X</u>
<b>Total Non-Current Property, Plant and Equipment</b>	<u>X</u>	<u>X</u>
<b>Total Property, Plant and Equipment</b>	<u><u>X</u></u>	<u><u>X</u></u>

Note: In this example land held for sale is included in “property, plant and equipment”. This treatment would be appropriate where the entity does not hold land for sale in the ordinary course of business. Where an entity holds land for sale in the ordinary course of business, it would be more appropriate to classify land under the heading “inventory”.

**Note 16 – Interest-Bearing Liabilities**

	<b>Consolidated</b>	
	<b>2000</b>	<b>1999</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current Interest-Bearing Liabilities</b>		
Unsecured		
Bank overdrafts	X	X
Bank loans	X	X
	<u>X</u>	<u>X</u>
Secured by Mortgage		
Term loans	X	X
Secured by Floating Charge		
Debentures	X	X
Secured by Negative Pledge		
Loans from subsidiaries	X	X
Other loans	X	X
	<u>X</u>	<u>X</u>
<b>Total Current Interest-Bearing Liabilities</b>	<u>X</u>	<u>X</u>
<b>Non-Current Interest-Bearing Liabilities</b>		
Unsecured		
Bank loans	X	X
Secured by Mortgage		
Bank loans	X	X
Secured by Floating Charge		
Debentures	X	X
Secured by Negative Pledge		
Other loans	X	X
	<u>X</u>	<u>X</u>
<b>Total Non-Current Interest-Bearing Liabilities</b>	<u>X</u>	<u>X</u>
<b>Total Interest-Bearing Liabilities</b>	<u>X</u>	<u>X</u>

## **CONFORMITY WITH INTERNATIONAL AND NEW ZEALAND ACCOUNTING STANDARDS**

### **Conformity with International Accounting Standards**

As at the date of issue of this Standard, compliance with this Standard will ensure conformity with International Accounting Standard IAS 1 “Presentation of Financial Statements” to the extent that IAS 1 addresses the statement of financial position.

### **Conformity with New Zealand Accounting Standards**

As at the date of issue of this Standard, compliance with this Standard will ensure conformity with Financial Reporting Standards FRS-2 “Presentation of Financial Reports” and FRS-9 “Information to be Disclosed in Financial Statements”, to the extent that FRS-2 and FRS-9 address the statement of financial position, except that FRS-9 defines current assets and current liabilities on the basis of a twelve-month period without reference to operating cycle.

## **DEVELOPMENT OF THE STANDARD**

This section does not form part of the Standard. It is a summary of the development of the Standard.

- 1 The issue of the Standard is part of a program being undertaken by the Public Sector Accounting Standards Board of the Australian Accounting Research Foundation and the Australian Accounting Standards Board (the Boards) to achieve greater harmony between Australian accounting standards and those of the International Accounting Standards Committee.
- 2 The issue of the Standard follows consideration of the responses received on Exposure Draft ED 91 "Financial Report Disclosures" which was prepared by the Boards and released in April 1998. ED 91 contained proposals aimed at harmonising Australian accounting standards with International Accounting Standard IAS 1 "Presentation of Financial Statements".
- 3 The Standard contains those parts of ED 91 that relate to the statement of financial position. Other parts of ED 91 have been included in other Standards. In particular, those parts of ED 91 relating to general disclosures in financial reports have been included in Australian Accounting Standard AAS 37 "Financial Report Presentation and Disclosures" and those parts of ED 91 relating to the statement of financial performance have been included in revised Australian Accounting Standard AAS 1 "Statement of Financial Performance".

### **Principal Features of ED 91 Retained in the Standard**

- 4 Consistent with the relevant proposals in ED 91, the Standard:
  - (a) defines current assets and liabilities in terms of their relationship to the entity's operating cycle as well as to a twelve month basis
  - (b) requires assets to be classified according to their nature or function and liabilities and items of equity to be classified according to their nature
  - (c) specifies the form and content of the statement of financial position and other disclosures relating to assets, liabilities and items of equity.

## **Noteworthy Difference from ED 91**

- 5 The Standard retains the basic content of the proposals in ED 91 relating to the statement of financial position. However, after considering the responses received on ED 91, the free choice between presenting assets and liabilities on a current/non-current basis or in broad order of their liquidity was changed to require that assets and liabilities are presented on a current/non-current basis unless presenting them in the broad order of their liquidity provides more relevant and reliable information.