

Accounting Standard

AASB 1018
June 2002

Statement of Financial Performance



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Standards are printed in **bold** type and commentary in light type. Words defined in Section 8 of the Standard are *italicised* each time they appear. Words defined in other Standards are listed in the separately published “Australian Accounting Standards Board Glossary of Defined Terms”.

MAIN FEATURES OF THE STANDARD

The Standard:

- (a) prescribes the format of the statement of financial performance, including the disclosure on the face of the statement of financial performance of:
 - (i) revenues and expenses from ordinary activities;
 - (ii) the net amount of extraordinary items;
 - (iii) revenues, expenses and valuation adjustments recognised directly in equity; and
 - (iv) additional line items, sub-headings and sub-totals;
- (b) requires the classification and disclosure of expenses arising from ordinary activities either by nature or by function;
- (c) in relation to each revenue and expense within ordinary activities that is of such a size, nature or incidence that its disclosure is relevant in explaining the financial performance of the entity and its disclosure is not otherwise required by a Standard:
 - (i) requires disclosure of each such revenue and expense either on the face of the statement of financial performance or in the notes in the financial report; and
 - (ii) where any such revenue or expense is disclosed on the face of the statement of financial performance, prohibits the presentation of a sub-total referring to profit or loss/result immediately before the disclosures;
- (d) prohibits retrospective revisions of accounting estimates;
- (e) requires an error, including a fundamental error, to be corrected in the reporting period in which it is discovered;
- (f) requires disclosure on the face of the statement of financial performance of the net revenue or expense arising from the correction of a fundamental error, and note disclosure of the information that would have been disclosed in the financial statements, including comparative information, if the fundamental error had not been made; and
- (g) specifies other disclosures to be made in respect of revenues and expenses.

ACCOUNTING STANDARD AASB 1018

The Australian Accounting Standards Board makes Accounting Standard AASB 1018 “Statement of Financial Performance” under section 334 of the *Corporations Act 2001*.

Dated 13 June 2002

F. K. Alfredson
Chair – AASB

ACCOUNTING STANDARD AASB 1018 “STATEMENT OF FINANCIAL PERFORMANCE”

1 Application

1.1 This Standard applies to:

- (a) each entity that is required to prepare financial reports in accordance with Chapter 2M of the Corporations Act;
- (b) general purpose financial reports of each other reporting entity; and
- (c) financial reports that are, or are held out to be, general purpose financial reports.

1.2 Subject to paragraph 1.3, 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 An example of where the requirements of another Standard prevail over the requirements of this Standard arises in the context of Accounting Standard AASB 1032 and Australian Accounting Standard AAS 32 “Specific Disclosures by Financial Institutions”. A financial institution is not required to disclose the net gain or loss on disposal of receivables or investments as required by paragraphs 5.6(a)(i) and (ii) of this Standard, because AASB 1032 and AAS 32 specify disclosures related to revenues and *expenses* on the disposal of financial instruments.

- 1.2.2 For the purpose of paragraph 1.2, the requirement in paragraph 7.4 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 Accounting Standard AASB 1034 and Australian Accounting Standard AAS 37 “Financial Report Presentation and Disclosures”.
- 1.3 Notwithstanding the application paragraphs of Accounting Standard AASB 1031 and Australian Accounting Standard AAS 5 “Materiality”, the requirements of this Standard are subject to the requirements of AASB 1031 and AAS 5 in respect of all the entities to which this Standard applies.**
- 1.3.1 The standards specified in this Standard apply to the financial report where information resulting from their application is material, in accordance with AASB 1031 and AAS 5. The provisions of AASB 1031 and AAS 5 state that they are applicable only to *reporting entities* or to entities which hold their financial reports out to be, or form part of, general purpose financial reports. Paragraph 1.3 clarifies that the requirements of this Standard are subject to the requirements of AASB 1031 and AAS 5 in respect of all entities (whether or not they are *reporting entities*) which are required to comply with Chapter 2M of the Corporations Act.

2 Operative Date

- 2.1 This Standard applies to annual reporting periods ending on or after 30 June 2002.**
- 2.2 This Standard may be applied to annual reporting periods ending before 30 June 2002. An entity that is required to prepare financial reports in accordance with Chapter 2M of the Corporations Act may apply this Standard to annual reporting periods ending before 30 June 2002, where an election has been made in accordance with subsection 334(5) of the Corporations Act.**
- 2.3 When applied or operative, this Standard supersedes:**
- (a) Accounting Standard AASB 1018 “Statement of Financial Performance”, as approved by notice published in the *Commonwealth of Australia Gazette* No. S 485 on 14 October 1999; and

- (b) **Australian Accounting Standard AAS 1 “Statement of Financial Performance”, as issued in October 1999.**

2.3.1 Notice of this Standard was published in the *Commonwealth of Australia Gazette* on 14 June 2002.

3 Purpose of Standard

- 3.1 **The purpose of this Standard is to prescribe presentation and disclosure requirements for the *statement of financial performance*, and recognised revenues, *expenses* and valuation adjustments.**

4 Statement of Financial Performance

- 4.1 **The following must be disclosed on the face of the *statement of financial performance*:**

- (a) **all amounts of revenue and *expense* recognised in the reporting period other than those disclosed in accordance with paragraphs 4.1(b)(iv) and (c):**
 - (i) **revenues from *ordinary activities*, excluding any shares of net profits/results of associates and joint ventures accounted for using the equity method, either in total or disaggregated;**
 - (ii) ***expenses* from *ordinary activities*, excluding borrowing costs expense and any shares of net losses/results of associates and joint ventures accounted for using the equity method, either in total or disaggregated;**
 - (iii) **borrowing costs expense, either in total or disaggregated; and**
 - (iv) **shares of net profits or losses/results of associates and joint ventures accounted for using the equity method;**
- (b) **where applicable, line items or sub-totals for:**

- (i) profit or loss/result from *ordinary activities* before income tax expense (income tax revenue);
 - (ii) income tax expense (income tax revenue) relating to *ordinary activities*;
 - (iii) profit or loss/result from *ordinary activities* after related income tax expense (income tax revenue);
 - (iv) profit or loss/result from *extraordinary items* after related income tax expense (income tax revenue);
 - (v) *net profit or loss/result*;
 - (vi) net profit or loss/result attributable to outside equity interest; and
 - (vii) net profit or loss/result attributable to members of the parent entity;
- (c) when and only when another Standard or a transitional provision of an Urgent Issues Group Consensus View requires or permits a revenue, *expense* or valuation adjustment to be recognised as a *direct credit to equity* or a *direct debit to equity*, a component of the *statement of financial performance* separate from *net profit or loss/result*, or net profit or loss/result attributable to members of the parent entity in the case of an economic entity, comprising:
- (i) the net credit or debit to an asset revaluation reserve during the reporting period in accordance with Accounting Standard AASB 1041 “Revaluation of Non-Current Assets”;
 - (ii) the net exchange difference recognised as a *direct credit to equity* or a *direct debit to equity* during the reporting period in accordance with Accounting Standard AASB 1012 “Foreign Currency Translation”;
 - (iii) the net amount of each revenue, *expense* or valuation adjustment, including each initial

adjustment, not disclosed in accordance with paragraphs 4.1(c)(i) and (ii), recognised as a *direct credit to equity* or a *direct debit to equity* during the reporting period in accordance with a Standard; and

- (iv) the net amount of each initial adjustment recognised as a *direct credit to equity* or a *direct debit to equity* during the reporting period arising from a transitional provision of an Urgent Issues Group Consensus View; and

(d) where applicable:

- (i) the total of all amounts disclosed in accordance with paragraphs 4.1(c)(i) to (iv); and
- (ii) the total of the amounts disclosed in accordance with paragraphs 4.1(b)(vii) and (d)(i), being total changes in equity other than those resulting from transactions with owners as owners.

4.2 Line items, sub-headings and sub-totals in addition to the line items and sub-totals prescribed in paragraphs 4.1(b), (c) and (d)(i) must be separately disclosed on the face of the *statement of financial performance* when required by a Standard, or when necessary for an understanding of the entity's financial performance, provided that:

- (a) any such sub-totals are presented before the sub-totals required by paragraph 4.1(b);
- (b) any such sub-totals are presented less prominently than the sub-totals required by paragraphs 4.1(b)(i), (iii), (v), (vii) and (d)(i); and
- (c) a sub-total referring to profit or loss/result is not presented immediately before the items required to be disclosed by paragraph 5.4, where these items are disclosed on the face of the *statement of financial performance*.

4.3 Subject to paragraph 4.1(c), *net profit or loss/result* for the reporting period is calculated as revenues recognised in the reporting period less *expenses* recognised in the reporting period.

- 4.3.1 The disclosures required by paragraphs 4.1(a)(i), (ii) and (iii) may be presented as totals with further disaggregation in the notes in the financial report. Alternatively, revenues and *expenses* may be disaggregated on the face of the *statement of financial performance*. Regardless of whether revenues and *expenses* are disclosed in total on the face of the *statement of financial performance* or are disaggregated:
- (a) the revenues required to be disclosed by paragraph 4.1(a) include all revenues recognised in accordance with Accounting Standard AASB 1004 and Australian Accounting Standard AAS 15 “Revenue”, other than any shares of net profits of associates and joint ventures accounted for using the equity method;
 - (b) the revenues disclosed on the face of the *statement of financial performance* are reconciled to the detailed categorisation of revenues, as required by AASB 1004 and AAS 15, unless these disclosures are presented on the face of the *statement of financial performance*; and
 - (c) paragraph 5.3 requires that the disclosure of *expenses* on the face of the *statement of financial performance* is reconciled to the classification of *expenses* required by paragraph 5.2, unless the classification is presented on the face of the *statement of financial performance*.
- 4.3.2 The disclosure of the components of financial performance of the entity assists in understanding the financial performance achieved and in assessing future results. Where relevant, additional line items, sub-headings and sub-totals are included on the face of the *statement of financial performance*.
- 4.3.3 In accordance with Accounting Standard AASB 1001 and Australian Accounting Standard AAS 6 “Accounting Policies”, the accounting policy selected for the presentation of revenues, *expenses* and sub-totals on the face of the *statement of financial performance* will be selected so as to provide relevant and reliable information about the financial performance of the entity. For example, on the face of the *statement of financial performance*:
- (a) a manufacturer or retailer might disclose revenue from sale of goods and *cost of sales*, with gross margin as a sub-total;
 - (b) a financial institution might disclose interest revenue and interest expense with net interest revenue as a sub-total, as illustrated in the Appendix to Accounting Standard

AASB 1032 and Australian Accounting Standard AAS 32 “Specific Disclosures by Financial Institutions”; and

- (c) a government department might separate operating revenues and *expenses* from revenues from government, as illustrated in the Appendix to Australian Accounting Standard AAS 29 “Financial Reporting by Government Departments”.

- 4.3.4 Changes in total equity can arise from revenues, *expenses* and valuation adjustments (non-owner changes in equity) or from transactions with owners in their capacity as owners (including contributions by owners and returns of equity and returns on equity). Information about all non-owner changes in equity is useful in assessing the changes in the entity’s financial position during a reporting period. Accordingly, this Standard requires disclosure in a separate component of the *statement of financial performance* of those non-owner changes in equity that are not recognised in *net profit or loss/result*. In a consolidated financial report, this separate component of the *statement of financial performance* contains only those revenues, *expenses* and valuation adjustments attributable to members of the parent entity. These disclosure requirements are illustrated in Appendix 1.
- 4.3.5 Revenues, *expenses* and valuation adjustments are usually included in the determination of *net profit or loss/result*. However, some Standards deal with revenues, *expenses* and valuation adjustments that are excluded from the determination of *net profit or loss/result*. Examples include:
- (a) revaluation increments and decrements net of any related income tax expense (income tax revenue), where required by AASB 1041;
 - (b) gains and losses net of any related income tax expense (income tax revenue) arising on the translation of the financial statements of self-sustaining foreign operations, as required by AASB 1012; and
 - (c) those transitional provisions on the introduction of a Standard or an Urgent Issues Group Consensus View that require an initial adjustment against opening retained profits (surplus) or accumulated losses (deficiency).
- 4.3.6 Paragraph 4.1(c)(i) requires revaluation increments and decrements recognised as a direct credit or debit to equity in a reporting period in accordance with AASB 1041 to be disclosed on a net basis.

Similarly, paragraph 4.1(c)(ii) requires exchange differences recognised as a direct credit or debit to equity in accordance with AASB 1012 to be disclosed on a net basis. In contrast, paragraphs 4.1(c)(iii) and (iv) require separate disclosure of the net amount of each revenue, *expense* or valuation adjustment recognised as a direct credit or debit to equity in accordance with a Standard or a transitional provision of an Urgent Issues Group Consensus View. The net initial adjustment to retained profits (surplus) or accumulated losses (deficiency) on introduction of a specific Standard or a specific Urgent Issues Group Consensus View is treated as a single revenue, *expense* or valuation adjustment for the purpose of this disclosure.

4.3.7 Where an item required to be disclosed by paragraph 4.1 amounts to zero, that item need not be disclosed in the *statement of financial performance* unless the comparative information includes an amount other than zero.

4.4 Any revenue, *expense* or valuation adjustment included in the component of the *statement of financial performance* separate from *net profit or loss/result*, or *net profit or loss/result* attributable to members of the parent entity in the case of an economic entity, in any reporting period, as required by paragraph 4.1(c), must not be reversed out of that component of the *statement of financial performance* and recognised as a revenue or an *expense* within *net profit or loss/result*, or *net profit or loss/result* attributable to members of the parent entity in the case of an economic entity, in any other reporting period.

4.4.1 Paragraph 4.4 prohibits the “recycling” of revenues, *expenses* and valuation adjustments on the grounds that a revenue, *expense* or valuation adjustment should not be recognised more than once in the *statement of financial performance*. This prohibition does not preclude the reversal of a revaluation increment on revaluation of a non-current asset being recognised in accordance with AASB 1041. Under AASB 1041, the reversal of a revaluation increment is not a recycling of a previously recognised revenue or valuation adjustment. Rather, it is an *expense* or valuation adjustment arising on the revaluation of a non-current asset. Similarly, the correction of an error in accordance with paragraph 7.1 is not a reversal of a revenue, *expense* or valuation adjustment.

Prohibition of Alternative Statement

4.5 The financial report must not contain a statement that purports to be a *statement of financial performance* where that statement is not in accordance with a Standard.

- 4.5.1 The *statement of financial performance* is prepared in accordance with the requirements of this Standard unless this Standard is overridden by another Standard. In addition to disclosures required by a Standard, the entity may disclose additional information about financial performance. Such additional information is usually presented in the notes in the financial report. Paragraph 4.5 prohibits any additional disclosures from purporting to be a *statement of financial performance*.
- 4.5.2 Disclosure in the notes in the financial report of a reconciliation between a line item in the *statement of financial performance* and a line item in a *statement of financial performance* prepared under another jurisdiction's GAAP does not constitute an alternative *statement of financial performance*.

5 Classification and Disclosure of Revenues and Expenses

- 5.1 Revenues and expenses must not be set-off unless required or permitted by this or another Standard.**
- 5.1.1 Setting-off revenues and *expenses* is required in specific circumstances. For example, paragraph 5.6(c) requires the disclosure of net revenue or *expense* resulting from adjustments to the carrying amounts of assets since the previous reporting date. However, the size, nature or incidence of the set-off revenues and *expenses* may be such that, in accordance with paragraph 5.4, additional separate disclosure of the set-off revenues and *expenses* is necessary for users to understand the entity's financial performance.

Classification of Expenses

- 5.2 All expenses from ordinary activities, excluding borrowing costs expense and any shares of net losses/results of associates and joint ventures accounted for using the equity method, must be classified either:**
- (a) all according to their nature; or
 - (b) all according to their function,
- and the amount in each class must be disclosed.**
- 5.2.1 The classification of *expenses* by nature or by function may be disclosed either on the face of the *statement of financial*

performance or in the notes in the financial report. Entities are encouraged to present the disclosures required by paragraph 5.2 on the face of the *statement of financial performance*. Where disclosure is made in the notes in the financial report, paragraph 5.3 requires a reconciliation between the *expenses* disclosed on the face of the *statement of financial performance* and the classification of *expenses* by nature or by function disclosed in the notes.

- 5.2.2 As with the classification of revenues in Accounting Standard AASB 1004 and Australian Accounting Standard AAS 15 “Revenue”, *expenses* are classified to provide information on different aspects of financial performance. This information is provided in one of two ways. *Expenses* can be classified according to their nature such as employee expenses or depreciation. Alternatively, *expenses* can be classified according to their function. In the case of a manufacturing or retailing entity, the classification of *expenses* by function may involve the disclosure of *cost of sales*, distribution expenses and administration expenses. In the case of a not-for-profit service entity, the classification of *expenses* by function may involve the disclosure of *expenses* related to service activities. It should be noted that the size of a specific item is not a basis for establishing a separate classification for that item. These classifications are illustrated in Appendix 2.
- 5.2.3 The choice of classification between nature or function depends on the nature of the entity and historical and industry factors. Both classifications provide an indication of those *expenses* that might be expected to vary, directly or indirectly, with the entity’s level of activities such as sales or production. The entity chooses the classification that provides the most relevant information about its financial performance.
- 5.2.4 An entity engaged in providing services is more likely to classify its *expenses* by nature than by function. Where a manufacturer or retailer classifies *expenses* by nature, the change in inventories of finished goods and work in progress during the reporting period represents an adjustment to production or acquisition expenses to reflect the fact that either production or acquisition in excess of sales has increased inventory levels or that sales in excess of production or acquisition have reduced inventory levels. In some instances, an increase in finished goods and work in progress during the reporting period may be presented immediately following revenue, as is illustrated in Appendix 2. However, this presentation does not imply that such amounts represent revenue.
- 5.2.5 Regardless of whether *expenses* are classified by nature or by function, the notion of materiality in Accounting Standard

AASB 1031 and Australian Accounting Standard AAS 5 “Materiality” applies to the classification of *expenses*. Each material class is separately disclosed. Unclassified *expenses* are immaterial both individually and in aggregate. It follows that the total of unclassified *expenses* is unlikely to exceed 10 per cent of total *expenses* classified by nature or by function in accordance with paragraph 5.2.

5.3 Any expense or any aggregate of expenses, excluding borrowing costs expense and any shares of net losses/results of associates and joint ventures accounted for using the equity method, disclosed on the face of the *statement of financial performance* must be reconciled in the notes in the financial report to the classification of *expenses* by nature or by function disclosed in accordance with paragraph 5.2.

5.3.1 Paragraph 5.3 requires a reconciliation between the *expenses* disclosed on the face of the *statement of financial performance* and the classification of *expenses* by nature or by function disclosed in accordance with paragraph 5.2. This reconciliation is required where, for example, the entity discloses depreciation expense on the face of the *statement of financial performance* and classifies *expenses* by function in the notes in the financial report. In that case, the entity is required to reconcile the *expenses* disclosed on the face of the *statement of financial performance* with the *expense* classification by function in the notes in the financial report. This reconciliation is not required where the classification of *expenses* by nature or by function is disclosed on the face of the *statement of financial performance*.

Disclosure of Specific Revenues and Expenses

5.4 When a revenue or an expense from ordinary activities is of such a size, nature or incidence that its disclosure is relevant in explaining the financial performance of the entity for the reporting period and its disclosure is not otherwise required by this or another Standard, its nature and amount must be disclosed separately either on the face of the *statement of financial performance* or in the notes in the financial report.

5.4.1 The revenues and *expenses* referred to in paragraph 5.4 are not *extraordinary items*. They are items that arise from *ordinary activities* where the nature and amount of each item is relevant to users of financial reports in understanding the reported financial performance of the entity and in making decisions. Many revenues and *expenses* are disclosed in accordance with other provisions of this or another Standard. For example, *cost of sales* is disclosed

under certain circumstances in accordance with paragraph 5.7. Other revenues and *expenses* not disclosed in accordance with the specific provisions of this or another Standard, and therefore disclosed in accordance with paragraph 5.4, may include but are not limited to litigation settlements and restructuring of operations.

- 5.4.2 The entity may elect to classify *expenses* by function in accordance with paragraph 5.2 and disclose the classification of *expenses* on the face of the *statement of financial performance*. In this case, any *expense* disclosed in accordance with paragraph 5.4 will be disclosed in the notes in the financial report. Similarly, the entity may elect to classify *expenses* by nature in accordance with paragraph 5.2 and disclose the classification of *expenses* on the face of the *statement of financial performance*. Where an *expense* disclosed in accordance with paragraph 5.4 is of the same nature as other *expenses* and therefore is included with those other *expenses*, the specific *expense* will be disclosed in the notes in the financial report.

Disclosure of Extraordinary Items

- 5.5 Where an item is classified as extraordinary, the following must be disclosed:**

- (a) the nature of the *extraordinary item*;**
- (b) the amount of the *extraordinary item* before related income tax expense (income tax revenue); and**
- (c) the amount of income tax expense (income tax revenue) attributable to the *extraordinary item*.**

- 5.5.1 The definition of *ordinary activities* is very broad and virtually all items of revenue and *expense* included in the determination of *net profit or loss/result* for the reporting period arise in the course of the *ordinary activities* of the entity. It is extremely rare for a transaction or other event to give rise to an *extraordinary item*.

- 5.5.2 Whether an item is clearly distinct from the *ordinary activities* of the entity and is therefore an *extraordinary item* is determined by the nature of the transaction or other event that gives rise to that item. A transaction or event may be extraordinary for one entity but not extraordinary for another entity because of the nature of the entities' respective *ordinary activities*.

- 5.5.3 Examples of transactions or other events that may give rise to *extraordinary items* are:

- (a) the expropriation of assets. The expropriation of an asset in a political environment where expropriations are rare may qualify as an *extraordinary item*. In contrast, the expropriation of assets in a region where the risk of expropriation is high would not qualify as an *extraordinary item*; and
- (b) an earthquake or other natural disaster. Losses sustained as a result of an earthquake or other natural disaster may qualify as an extraordinary expense for entities that do not operate in a region subject to such events. Claims from policyholders arising from an earthquake or other natural disaster do not qualify as an *extraordinary item* for an insurer that insures against such risks.

Other Disclosures

5.6 The amounts of the following items before income tax expense (income tax revenue) recognised in *net profit or loss/result* must be disclosed:

- (a) **the net gain or loss on the disposal of assets in each of the following classes of assets, other than assets measured at net market value:**
 - (i) **receivables;**
 - (ii) **investments;**
 - (iii) **property, plant and equipment; and**
 - (iv) **intangible assets;**
- (b) **separately, the net increment and/or decrement arising from the revaluation of each class of non-current assets recognised in accordance with Accounting Standard AASB 1041 “Revaluation of Non-Current Assets”; and**
- (c) **the net revenue or *expense* since the beginning of the reporting period resulting from deductions from the carrying amounts of assets, disclosing separately the net revenue or *expense* in relation to:**
 - (i) **the amortisation of non-current assets;**
 - (ii) **the depreciation of non-current assets;**

- (iii) the impairment of non-current assets; and
- (iv) bad and doubtful debts.

5.7 Entities disclosing revenue from the sale of goods must disclose *cost of sales* relating to the sale of those goods.

5.7.1 Disclosure of *cost of sales* provides relevant information when taken in conjunction with the disclosure of revenue from the sale of goods. A *reporting entity* that sells goods, such as a manufacturer or a retailer, is required by AASB 1004 and AAS 15 to disclose revenue from the sale of goods, and in accordance with paragraph 5.7 is required to disclose the *cost of sales* relating to those goods. Where a non-reporting entity that sells goods elects to disclose revenue from the sale of goods, that non-reporting entity is required by paragraph 5.7 to disclose the *cost of sales* relating to those goods.

5.7.2 *Cost of sales* does not include the following which are separately disclosed in accordance with Accounting Standard AASB 1019 and Australian Accounting Standard AAS 2 “Inventories”:

- (a) the amount of any write-down of inventories still on hand to net realisable value at the reporting date and all other losses of inventories in the reporting period in which the write-down or loss occurs; and
- (b) the amount of any reversal of any write-down of inventories still on hand at the reporting date.

6 Revision of Accounting Estimates

6.1 The effect of a revision of an accounting estimate must be recognised as a revenue or an *expense* in the *statement of financial performance* in the reporting period in which the accounting estimate is revised, if the revision affects that reporting period only, or in the reporting period of the revision and future reporting periods, if the revision affects both the current and future reporting periods. Accounting estimates recognised in prior reporting periods must not be revised with retrospective effect to prior reporting period financial statements.

6.1.1 As a result of the uncertainties inherent in business and other activities, many items in a financial report cannot be measured with precision but can only be estimated. The estimation process

involves best estimates based on the latest information available. Estimates may be required, for example, of bad debts, inventory obsolescence or the useful lives or expected patterns of consumption of economic benefits of depreciable assets. The use of estimates is an essential part of the preparation of a financial report and does not undermine its reliability.

- 6.1.2 An estimate may be revised if there are changes in the circumstances on which the estimate was based or as a result of new information, more experience or subsequent developments. A change in an estimate because of an error made in a prior reporting period is classified as an error and not as a revision of an accounting estimate. Since the revision of the estimate is not an error, it does not bring the adjustment within the definition of a *fundamental error*, and retrospective adjustment is inappropriate. However, if an error were made when preparing the financial report of a prior reporting period, it would be treated in accordance with Section 7.
- 6.1.3 Where there are difficulties in distinguishing between a change in an accounting policy and a revision of an accounting estimate, the transaction is treated as a revision of an accounting estimate.
- 6.1.4 A revision of an accounting estimate may affect only the financial report of the current reporting period or the financial reports of both the current reporting period and future reporting periods. For example, a revision of the estimate of the amount of bad debts affects only the financial report of the current reporting period and therefore is recognised immediately. However, a revision of the estimated useful life or the expected pattern of consumption of economic benefits of a depreciable asset affects the depreciation expense in the current reporting period and in each reporting period during the remaining useful life of the asset. In both cases, the effect of the revision relating to the current reporting period is recognised as a revenue or an *expense* in the *statement of financial performance* in the current reporting period. The effect, if any, on future reporting periods is recognised as a revenue or an *expense* in those future reporting periods.
- 6.2 The effect of a revision of an accounting estimate must be included in the same category within the *statement of financial performance* as was used for the estimate in the equivalent preceding reporting period or reporting periods.**
- 6.2.1 To ensure the comparability of financial reports for different reporting periods, the effect of a revision of an accounting estimate for an estimate that was previously included in profit or loss/result from *ordinary activities* is included in that section of the *statement*

of financial performance for the current reporting period. Similarly the effect of a revision of an accounting estimate of an *extraordinary item* is reported as an *extraordinary item*.

Disclosure

6.3 The nature and amount of a revision of an accounting estimate which affects the reported financial performance or financial position of the current reporting period, or is expected to have an effect on the financial performance or financial position of future reporting periods, must be disclosed in the notes in the financial report.

6.3.1 The disclosures required by paragraph 6.3 are illustrated in Appendix 3.

7 Errors

7.1 Subject to paragraph 7.2, an error made in a prior reporting period must be corrected in the reporting period in which the error is discovered. Where the correction gives rise to a revenue or an expense, that revenue or expense must be recognised in the statement of financial performance in the reporting period in which the error is discovered.

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

7.2.1 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. As required by paragraph 7.1, where the correction of an error gives rise to revenues or expenses, the correction of that error is recognised in the *statement of financial performance* 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. Accounting Standard AASB 1040 and Australian Accounting Standard AAS 36 “Statement of Financial Position” include requirements relating to the correction of errors that only affect assets, liabilities and items of equity. It should be noted that the Corporations Act permits the amendment and reissue of a financial report.

- 7.2.2 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 revenue or *expense* recognised on the outcome of a contingency which previously could not be estimated reliably does not constitute the correction of an error.
- 7.2.3 On rare occasions an error has a material effect on the overall financial reports of prior reporting periods as well as individual assets, liabilities, revenues or *expenses*. In such cases, those financial reports 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 work in progress and receivables in respect of fraudulent contracts which cannot be enforced.

Disclosure of Fundamental Errors

- 7.3 **Where a *fundamental error* is discovered and has not been rectified in a reissued financial report, the following must be disclosed in the reporting period in which the *fundamental error* is discovered:**
- (a) **the nature of the *fundamental error*;**
 - (b) **on the face of the *statement of financial performance* as a separate line item in the section of the *statement of financial performance* in which the error was recognised, the net revenue or *expense* before income tax expense (income tax revenue) arising from the correction of that *fundamental error*;**
 - (c) **income tax expense (income tax revenue) relating to the *fundamental error*; and**
 - (d) **in the notes in the financial report, the amount of the correction of the *fundamental error* relating to prior reporting periods, including:**
 - (i) **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; and

- (ii) **the amount of the correction to retained profits (surplus) or accumulated losses (deficiency) at the start of the earliest reporting period presented relating to reporting periods prior to those presented in the financial report.**

7.4 Where a *fundamental error* is discovered and has not been rectified in a reissued financial report:

- (a) **comparative information must not be restated on the face of the financial statements for the *fundamental error*; and**
- (b) **the *fundamental error* must be recognised and disclosed in accordance with paragraphs 7.1 and 7.3 and not included in adjustments to retained profits (surplus) or accumulated losses (deficiency) when applying a transitional provision of a Standard or an Urgent Issues Group Consensus View.**

7.4.1 The correction of a *fundamental error* is recognised in the *statement of financial performance* 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 financial statements for both the current reporting period and the reporting periods disclosed as comparative information as if the *fundamental error* had not been made. These disclosure requirements are illustrated in Appendix 4. Where appropriate, the amount of the correction of the *fundamental error* relating to reporting periods prior to those included in the comparative information is disclosed as the adjustment to the opening balance of retained profits (surplus) or accumulated losses (deficiency) of the earliest reporting period presented in the comparative information.

7.4.2 The effect of correcting an error that does not meet the definition of a *fundamental error* may be of such a size, nature or incidence that separate disclosure is required in accordance with paragraph 5.4.

8 Definitions

8.1 In this Standard:

cost of sales means:

- (a) the carrying amount of inventories sold in the reporting period in which the related revenue is recognised; and
- (b) all unallocated production overheads relating to inventories sold in the reporting period;

direct credit to equity means an increase in an item of equity, where the increase is not recognised in *net profit or loss/result*;

direct debit to equity means a decrease in an item of equity, where the decrease is not recognised in *net profit or loss/result*;

disclosing entity is defined in the Corporations Act;

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;

extraordinary items means items of revenue and *expense* that are attributable to transactions or other events of a type that are outside the *ordinary activities* of the entity and are not of a recurring nature;

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;

net profit or loss/result means:

- (a) in the case of an entity that is not an economic entity, profit or loss/result after income tax expense (income tax revenue) from *ordinary activities* and *extraordinary items*; and

- (b) in the case of an entity that is an economic entity, profit or loss/result after income tax expense (income tax revenue) from *ordinary activities* and *extraordinary items*, before adjustment for that portion that can be attributed to outside equity interest;

ordinary activities means activities that are undertaken by an entity as part of its business or to meet its objectives and related activities in which the entity engages in furtherance of, incidental to, or arising from activities undertaken to meet its objectives;

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, and includes but is not limited to the following:

- (a) a *disclosing entity*; and
- (b) a company which is not a subsidiary of a holding company incorporated in Australia and which is a subsidiary of a foreign company where that foreign company has its securities listed for quotation on a stock market or those securities are traded on a stock market; and

statement of financial performance means:

- (a) profit and loss statement as required by the Corporations Act; and
- (b) profit and loss or other operating statement.

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 that comply with the disclosure requirements in this Standard may be appropriate in the particular circumstances of the entity.

APPENDIX 1

STATEMENT OF FINANCIAL PERFORMANCE

This Appendix illustrates the format of the *statement of financial performance*, including the disclosure of non-owner changes in equity.

XYZ Limited
Statement of Financial Performance¹
for the twelve months ended 30 June 2002

	Note	Consolidated	
		2002 \$'000	2001 \$'000
Revenues from ordinary activities		X	X
Expenses from ordinary activities, excluding borrowing costs expense ²		(X)	(X)
Borrowing costs expense		(X)	(X)
Share of net profit or loss/result of associates and joint ventures accounted for using the equity method		<u>X</u>	<u>(X)</u>
Profit or loss/result from ordinary activities before income tax expense (income tax revenue)		X	(X)
Income tax revenue (income tax expense) relating to ordinary activities		<u>(X)</u>	<u>X</u>

¹ For simplicity, only the consolidated statement of financial performance is illustrated.

² Appendix 2 provides examples of the display of expenses classified by nature and by function.

		Consolidated	
	Note	2002	2001
		\$'000	\$'000
Profit or loss/result from ordinary activities after related income tax expense (income tax revenue)	9	X	(X)
Profit or loss/result from extraordinary item after related income tax expense (income tax revenue)	10	<u>(X)</u>	<u>-</u>
Net profit or loss/result		<u>X</u>	<u>(X)</u>
Net profit or loss/result attributable to outside equity interest		<u>X</u>	<u>(X)</u>
Net profit or loss/result attributable to members of the parent entity	11	<u>X</u>	<u>(X)</u>
Increase (decrease) in asset revaluation reserve	12	X	(X)
Net exchange difference on translation of financial report of self-sustaining foreign operations	13	(X)	X
Increase (decrease) in retained profits (surplus) on adoption of a new Standard	11	(X)	X
Total revenues, expenses and valuation adjustments attributable to members of the parent entity and recognised directly in equity		<u>X</u>	<u>X</u>
Total changes in equity other than those resulting from transactions with owners as owners	14	<u>X</u>	<u>X</u>
Basic earnings per share		X	(X)
Diluted earnings per share		X	(X)
Dividends per share		X	X

NOTES IN THE FINANCIAL REPORT

	2002 \$'000	2001 \$'000
Note 9: Profit or loss/result from ordinary activities before income tax expense (income tax revenue)		
Profit or loss/result from ordinary activities before income tax expense (income tax revenue) includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:		
Revenue from sale of plant and equipment	X	-
Expense from sale of plant and equipment	<u>(X)</u>	<u>-</u>
Gain on sale of plant and equipment	<u>X</u>	<u>-</u>
Note 10: Extraordinary item		
Net loss on expropriation of ... before income tax revenue	(X)	-
Related income tax revenue	<u>X</u>	<u>-</u>
Net loss on expropriation of ... after income tax revenue	<u>(X)</u>	<u>-</u>
Note 11: Retained Profits (Surplus)		
Retained profits (surplus) at the beginning of the reporting period	X	X
Net profit or loss/result attributable to members of the parent entity	X	(X)
Net effect of adoption of a new Standard	(X)	X
Dividends recognised as a liability or paid if not previously recognised as a liability	(X)	(X)
Transfers to and from reserves:		
Foreign currency translation reserve	X	-
.....	<u>X</u>	<u>X</u>
Retained profits (surplus) at the reporting date	<u>X</u>	<u>X</u>

	2002	2001
	\$'000	\$'000
Note 12: Asset Revaluation Reserve		
Asset revaluation reserve at the beginning of the reporting period	X	X
Increase (decrease) recognised in the statement of financial performance on revaluation of assets	<u>X</u>	<u>(X)</u>
Asset revaluation reserve at the reporting date	<u>X</u>	<u>X</u>

Note 13: Foreign Currency Translation Reserve

Foreign currency translation reserve at the beginning of the reporting period	X	X
Increase (decrease) recognised in the statement of financial performance	(X)	X
Transfer to retained profits (surplus) on disposal of a foreign operation	11 <u>(X)</u>	<u>-</u>
Foreign currency translation reserve at the reporting date	<u>(X)</u>	<u>X</u>

Note 14: Equity

Total equity at the beginning of the reporting period	X	X
Total changes in equity recognised in the statement of financial performance	X	X
Transactions with owners as owners		
Contributions of equity	X	X
Dividends	(X)	(X)
Total changes in outside equity interest	<u>X</u>	<u>X</u>
Total equity at the reporting date	<u>X</u>	<u>X</u>

APPENDIX 2

**CLASSIFICATION OF EXPENSES BY NATURE
OR BY FUNCTION**

This Appendix illustrates the disclosure of *expenses* included in *ordinary activities* classified by nature and by function, for both a manufacturing entity and a services entity.

1. Classification of Expenses by Nature

(a) Manufacturing entity

XYZ Manufacturing Entity
Extract from Statement of Financial Performance
for the twelve months ended 30 June 2002

	Consolidated	
Note	2002	2001
	\$'000	\$'000
Revenues from Ordinary Activities	X	X
Changes in inventories of finished goods and work in progress	(X)	(X)
Raw materials and consumables used	(X)	(X)
Employee benefits expense	(X)	(X)
Depreciation and amortisation expenses	(X)	(X)
Borrowing costs expense	(X)	(X)
Other expenses from ordinary activities	(X)	(X)
Profit or Loss/Result from Ordinary Activities	2 X	X

NOTES IN THE FINANCIAL REPORT

Note 2 Profit or Loss/Result from Ordinary Activities

Profit or loss/result from ordinary activities
includes as expenses:

Cost of sales	X	X
Bad and doubtful debts expense	X	X

(b) Services entity

XYZ Services Entity
Extract from Statement of Financial Performance
for the twelve months ended 30 June 2002

	Note	Consolidated	
		2002 \$'000	2001 \$'000
Revenues from Ordinary Activities		X	X
Employee benefits expense		(X)	(X)
Depreciation and amortisation expenses		(X)	(X)
Fundraising expenses		(X)	(X)
Lease expenses		(X)	(X)
Borrowing costs expense		(X)	(X)
Other expenses from ordinary activities		<u>(X)</u>	<u>(X)</u>
Profit or Loss/Result from Ordinary Activities	2	<u>X</u>	<u>X</u>

NOTES IN THE FINANCIAL REPORT

Note 2 Profit or Loss/Result from Ordinary Activities

Profit or loss/result from ordinary activities
includes as expenses:

Bad and doubtful debts expense	X	X
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2. Classification of Expenses by Function

(a) Manufacturing entity

XYZ Manufacturing Entity
Extract from Statement of Financial Performance
for the twelve months ended 30 June 2002

		Consolidated	
	Note	2002 \$'000	2001 \$'000
Sales revenue		X	X
Cost of sales		<u>(X)</u>	<u>(X)</u>
Gross profit		X	X
Other revenues from ordinary activities		X	X
Distribution expenses		(X)	(X)
Marketing expenses		(X)	(X)
Occupancy expenses		(X)	(X)
Administrative expenses		(X)	(X)
Borrowing costs expense		(X)	(X)
Other expenses from ordinary activities		<u>(X)</u>	<u>(X)</u>
Profit or Loss/Result from Ordinary Activities	2	<u>X</u>	<u>X</u>

NOTES IN THE FINANCIAL REPORT

Note 2 Profit or Loss/Result from Ordinary Activities

Profit or loss/result from ordinary activities includes as expenses:³

Amortisation expense	X	X
Depreciation expense	X	X
Bad and doubtful debts expense	X	X

³ Where cost of sales is disclosed on the face of the statement of financial performance, further disclosure is not required in the notes in the financial report.

(b) Services entity

XYZ Services Entity
Extract from Statement of Financial Performance
for the twelve months ended 30 June 2002

	Note	Consolidated	
		2002 \$'000	2001 \$'000
Revenues from service activities		X	X
Other revenues from ordinary activities		X	X
Service A expenses		(X)	(X)
Service B expenses		(X)	(X)
Service C expenses		(X)	(X)
Borrowing costs expense		(X)	(X)
Other expenses from ordinary activities		<u>(X)</u>	<u>(X)</u>
Profit or Loss/Result from Ordinary Activities	2	<u>X</u>	<u>X</u>

NOTES IN THE FINANCIAL REPORT

Note 2 Profit or Loss/Result from Ordinary Activities

Profit or loss/result from ordinary activities includes as expenses:

Amortisation expense	X	X
Depreciation expense	X	X
Bad and doubtful debts expense	X	X

APPENDIX 3

REVISION OF ACCOUNTING ESTIMATE

This Appendix illustrates the disclosures required in the financial report when an accounting estimate recognised in a prior reporting period is revised.

DATA

This example uses the data in Example 1 of paragraph 6.3.2 of Accounting Standard AASB 1021 and Australian Accounting Standard AAS 4 “Depreciation”.

1 July 2000 Purchase of asset costing \$60.00 with an estimated useful life to the entity of 6 years and an estimated residual value at the end of 6 years of zero. The straight-line method of depreciation is used.

30 June 2002 Carrying amount of asset is \$40.00.

1 July 2002 Total useful life to the entity is re-estimated downwards to 5 years, leaving only 3 years of useful life to the entity remaining. Depreciation expense over each of the remaining 3 years of useful life to the entity is remeasured using the straight-line method to \$13.30.

DISCLOSURE IN THE NOTES IN THE FINANCIAL REPORT

At the beginning of the financial year, the total useful life to the entity of 2 year old asset X was revised downwards from 6 years to 5 years. For each of the remaining three years of the asset’s life, including the current financial year, depreciation expense will be increased by \$3.30 from the original estimate of \$10.00 to \$13.30.

APPENDIX 4

FUNDAMENTAL ERROR

This Appendix illustrates the disclosures required in the financial report when a *fundamental error* of a prior reporting period is discovered and the financial report of the preceding reporting period is not amended and reissued.

DATA

During 2002, ABC Entity discovered that inventory to the value of \$6,500 that had been recognised as sold during 2001 was incorrectly included in inventory as at 31 December 2001.

ABC's income tax rate was 30% for 2002 and 2001.

ABC Entity Statement of Financial Performance for the twelve months ended 31 December 2002

	Note	2002 \$	2001 \$
Sales		104,000	73,500
Cost of sales		(80,000)	(53,500)
Correction of fundamental error	4	(6,500)	-
Profit/result from ordinary activities before income tax expense		17,500	20,000
Income tax expense (including the effect of the correction of the fundamental error)		(5,250)	(6,000)
Profit/result from ordinary activities after income tax expense		12,250	14,000

NOTE DISCLOSURE ONLY

Note 4 Fundamental Error in Inventory

Cost of sales for 2002 includes \$6,500 for certain products that had been recognised as sold in 2001 but were incorrectly included in inventory at 31 December 2001. This error had the effect of overstating inventory and total assets by \$6,500 as at 31 December 2001 and overstating profit/result from ordinary activities and retained profits (surplus) for the year ended 31 December 2001 by \$6,500. Restated financial information for 2002 and 2001 is presented below as if the error had not been made.

Pro forma Statement of Financial Performance	2002 \$ restated	2001 \$ restated
Sales	104,000	73,500
Cost of sales	<u>(80,000)</u>	<u>(60,000)</u>
Profit/result from ordinary activities before income tax expense	24,000	13,500
Income tax expense	<u>(7,200)</u>	<u>(4,050)</u>
Profit/result from ordinary activities after income tax expense	<u>16,800</u>	<u>9,450</u>
Restatement of Retained Profits (Surplus)	2002 \$	2001 \$
Previously reported retained profits (surplus) at the end of the previous reporting period	34,000	20,000
Correction of fundamental error (net of income tax expense of \$1,950)	<u>(4,550)</u>	<u>—⁴</u>
Restated retained profits (surplus) at the beginning of the reporting period	29,450	20,000
Profit/result from ordinary activities after income tax expense	<u>16,800</u>	<u>9,450</u>
Restated retained profits (surplus) at the reporting date	<u>46,250</u>	<u>29,450</u>

⁴ Retained profits (surplus) at the end of 2000 does not need to be restated because the fundamental error occurred during 2001.

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 Standards IAS 1 “Presentation of Financial Statements” and IAS 8 “Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies” to the extent that those Standards address the statement of financial performance and disclosure of changes in equity other than those arising from transactions with owners in their capacity as owners, except that this Standard does not require revenues and expenses from operating activities to be separately disclosed.

Conformity with International Public Sector Accounting Standards issued by the Public Sector Committee of the International Federation of Accountants

As at the date of issue of this Standard, compliance with this Standard will ensure conformity with International Public Sector Accounting Standards IPSAS 1 “Presentation of Financial Statements” and IPSAS 3 “Net Surplus or Deficit for the Period, Fundamental Errors and Changes in Accounting Policies” to the extent that those Standards address the statement of financial performance and disclosure of changes in equity other than those arising from transactions with owners in their capacity as owners, except that:

- (a) this Standard does not require revenues and expenses from operating activities to be separately disclosed; and
- (b) this Standard does not contain a specific requirement that extraordinary items must be outside the control or influence of the entity.

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”, FRS-7 “Extraordinary Items and Fundamental Errors” and FRS-9 “Information to be Disclosed in Financial Statements” to the extent that those Standards address the statement of financial performance and disclosure of changes in equity other than those arising from transactions with owners in their capacity as owners, except that FRS-2 and FRS-7 require:

- (a) non-owner changes in equity to be disclosed in a statement of movements in equity [FRS-2];
- (b) the following to be separated between those components arising from ordinary activities and those components arising from extraordinary items:
 - (i) the entity’s share of net profits and losses of associates and joint ventures accounted for using the equity method; and
 - (ii) outside equity interest [FRS-2];
- (c) that an item is only classified as extraordinary if it arises from an event or transaction that is outside the control or influence of the entity [FRS-7]; and
- (d) fundamental errors to be recognised by adjusting the opening balance of retained profits or accumulated losses and restating comparative information on the face of the financial statements [FRS-7].

BACKGROUND TO REVISION

This section does not form part of the Standard. It is a summary of the reasons for the current revision to the Standard.

- 1 The Standard has been reissued to address issues identified during the post-implementation review of Accounting Standard AASB 1018 and Australian Accounting Standard AAS 1 “Statement of Financial Performance” as issued in October 1999. The Standard is issued as part of a single series of Standards rather than the former two series of Standards, that is, the Accounting Standard series and the Australian Accounting Standard series.
- 2 The reissue of the Standard follows consideration of the responses received on Exposure Draft ED 105 “Statement of Financial Performance: Amendments to AASB 1018/AAS 1”, released in April 2002.

Principal Changes from the Previous Standards

- 3 The principal changes from the superseded Standards that were proposed in ED 105 and are included in the revised Standard are that the revised Standard:
 - (a) clarifies the requirements relating to the face of the statement of financial performance, including the use of additional sub-totals;
 - (b) clarifies that expenses are classified either all by nature or all by function, and requires expenses disclosed on the face of the statement of financial performance to be reconciled to the disclosure of expenses by nature or by function;
 - (c) specifies that revenues and expenses disclosed under paragraph 5.4 may be disclosed on the face of the statement of financial performance or in the notes in the financial report; and
 - (d) clarifies that Accounting Standard AASB 1031 and Australian Accounting Standard AAS 5 “Materiality” apply to the classification of expenses.

Noteworthy Differences from ED 105

- 4 ED 105 proposed that net gains and losses on the disposal of property, plant and equipment should be deemed to be revenues and

expenses respectively. Constituents noted the difficulties that this proposal would cause by creating inconsistencies between disclosures required by revised AASB 1018 and disclosures required by some Standards. Consideration of the proposal was deferred until the Australian Accounting Standards Board addresses issues arising from the International Accounting Standards Board's Improvements and Performance Reporting projects.

- 5 In response to comments received from constituents, the revised Standard contains commentary additional to that proposed in ED 105 in respect of the reconciliation of expenses disclosed on the face of the statement of financial performance with the detailed disclosures of expenses in the notes in the financial report.