

## **Agenda paper 3.5**

### **Staff Analysis: AASB Interpretations coverage in the new Tier 2 Standard**

**Staff note to the Board:**

Significant judgements exercised in this analysis are included in BC60-61 of the ED (Agenda Paper 3.1)

- 1 In assessing whether disclosure requirements of particular interpretations would need to be added to the proposed new Tier 2 Standard, staff have used the following approach:
  - If the Basis for Conclusions in the IFRS for SMEs Standard<sup>1</sup> confirmed that particular interpretations had been incorporated in the IFRS for SMEs Standard, no further action was required. IFRS for SMEs incorporates the conclusions of the following Interpretations, which address transactions and circumstances that SMEs often encounter as per paragraph BC 34 (hh) of IFRS for SMEs Part B:
    - AASB Interpretation 2 *Members' Shares in Co-operative Entities and Similar Instruments*.
    - AASB Interpretation 4 *Determining Whether an Arrangement Contains a Lease*. (superseded)
    - AASB Interpretation 12 *Service Concession Arrangements*.
    - AASB Interpretation 13 *Customer Loyalty Programmes*. (superseded)
    - AASB Interpretation 15 *Agreements for the Construction of Real Estate*. (superseded)
    - AASB Interpretation 17 *Distributions of Non-cash Assets to Owners*.
    - While BC34(hh) does not mention AASB Interpretation 129 *Service Concession Arrangements: Disclosures*, this interpretation sets out the disclosures relevant for service concession arrangements that are accounted for under Interpretation 12. Staff have therefore considered this interpretation to be incorporated.
  - No action was required for interpretations that have been superseded or don't have any disclosure requirements.
  - For the remaining interpretations, the rationale applied in determining whether additional disclosures may be required is indicated in the conclusion column below. As these are interpretations, it is assumed that they do not create new R&M differences that are not already identified in the main analysis.

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<sup>1</sup> See BC 34(hh) in IFRS for SMEs Standard – Part B

#	Interpretations	Disclosures	Comment	Text	Interpretations incorporated in IFRS for SMEs	Conclusion
1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	No	-	-		No action required
2	Members' Shares in Co-operative Entities and Similar Instruments	Yes	-		Incorporated	No action required
4	Determining whether an Arrangement contains a Lease [superseded by AASB 16 Leases for periods beginning on or after 1 January 2019]	No	-	-	Incorporated	No action required
5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	Yes	This Interpretation applies to accounting in the financial statements of a contributor for interests arising from decommissioning funds. It discusses the application of AASB 10, AASB 11, AASB 128 and AASB 137 by the entity.	Disclosure 11 A contributor shall disclose the nature of its interest in a fund and any restrictions on access to the assets in the fund.  12 When a contributor has an obligation to make potential additional contributions that is not recognised as a liability (see paragraph 10), it shall make the disclosures required by paragraph 86 of AASB 137.  13 When a contributor accounts for its interest in the fund in accordance with paragraph 9, it shall make the disclosures required by paragraph 85(c) of AASB 137.		The interpretation does not create any new R&M differences and therefore does not require any additional disclosures.  No action required
6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	No	-	-		No action required

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7	Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies	No	-	-		No action required
8	Scope of AASB 2	No	-	-	Incorporated	No action required
9	Reassessment of Embedded Derivatives [superseded by AASB 9 Financial Instruments for periods beginning on or after 1 January 2018]	No	-	-		No action required
10	Interim Financial Reporting and Impairment	No	-	-		No action required
12	Service Concession Arrangements	No	-	-	Incorporated	No action required
13	Customer Loyalty Programmes [superseded for for-profit entities by AASB 15 Revenue from Contracts with Customers for periods beginning on or after 1 January 2018]	No	-	-	Incorporated	No action required
14	AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	No	-	-		No action required
15	Agreements for the Construction of Real Estate [superseded for for-profit entities by AASB 15 Revenue from Contracts with Customers for periods beginning on or after 1 January 2018]	Yes	-	-	Incorporated	No action required

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16	Hedges of a Net Investment in a Foreign Operation	No	-	-		No action required
17	Distributions of Non-cash Assets to Owners	Yes	For-Profit	<p>Presentation and disclosures</p> <p>15 An entity shall present the difference described in paragraph 14 as a separate line item in profit or loss.</p> <p>16 An entity shall disclose the following information, if applicable: (a) the carrying amount of the dividend payable at the beginning and end of the period; and (b) the increase or decrease in the carrying amount recognised in the period in accordance with paragraph 13 as result of a change in the fair value of the assets to be distributed.</p> <p>17 If, after the end of a reporting period but before the financial statements are authorised for issue, an entity declares a dividend to distribute a non-cash asset, it shall disclose: (a) the nature of the asset to be distributed; (b) the carrying amount of the asset to be distributed as of the end of the reporting period; and (c) the fair value of the asset to be distributed as of the end of the reporting period, if it is different from its carrying amount, and the information about the method(s) used to measure that fair value required by paragraphs 93(b), (d), (g) and (i) and 99 of AASB 13.</p>	Incorporated	No action required

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18	Transfers of Assets from Customers [superseded for for-profit entities by AASB 15 Revenue from Contracts with Customers for periods beginning on or after 1 January 2018]	No	-	-		No action required
19	Extinguishing Financial Liabilities with Equity Instruments	No	-	-		No action required
20	Stripping Costs in the Production Phase of a Surface Mine	No	-	-		No action required
21	Levies	No	-	-		No action required
22	Foreign Currency Transactions and Advance Consideration	No	-	-		No action required
23	Uncertainty over Income Tax Treatments	Yes	For-Profit	<p>Disclosure</p> <p>A4 When there is uncertainty over income tax treatments, an entity shall determine whether to disclose:</p> <p>(a) judgements made in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates applying paragraph 122 of AASB 101 Presentation of Financial Statements; and</p> <p>(b) Information about the assumptions and estimates made in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates applying paragraphs 125–129 of AASB 101.</p> <p>A5 If an entity concludes it is probable that a taxation authority will accept an uncertain</p>		The disclosure paragraphs in Interpretation 23 do not introduce new disclosures, but refer to disclosures in the Accounting Standards that are captured in paragraphs 8.6, 8.7 and 21.15 of the disclosure standard. No action required.

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				tax treatment, the entity shall determine whether to disclose the potential effect of the uncertainty as a tax-related contingency applying paragraph 88 of AASB 112.		
107	Introduction of the Euro	No	-	-		No action required
110	Government Assistance – No Specific Relation to Operating Activities	No	-	-		No action required
115	Operating Leases – Incentives [superseded by AASB 16 Leases for periods beginning on or after 1 January 2019]	No	-	-		No action required
125	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders	No	-	-		No action required
127	Evaluating the Substance of Transactions Involving the Legal Form of a Lease [superseded by AASB 16 Leases for periods beginning on or after 1 January 2019]	Yes	-	-		No action required
129	Service Concession Arrangements: Disclosures	Yes	-	-		covered in section 34 <i>Specialised Activities</i>
131	Revenue – Barter Transactions Involving Advertising Services [superseded for for-profit entities by AASB 15 Revenue]	No	-	-		No action required

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	from Contracts with Customers for periods beginning on or after 1 January 2018]					
132	Intangible Assets – Web Site Costs	No	-	-		No action required
1003	Australian Petroleum Resource Rent Tax	No	-	-		No action required
1019	The Superannuation Contributions Surcharge	Yes	Superannuation entities	<p>Disclosure</p> <p>10 The financial statements shall disclose:</p> <p>(a) the accounting policy adopted for the recognition of the liability for the superannuation contributions surcharge;</p> <p>(b) the amount of the superannuation contributions surcharge recognised as an expense during the reporting period;</p> <p>(c) the amount of the liability for the superannuation contributions surcharge recognised as at the end of the reporting period; and</p> <p>(d) whether any unrecognised liability for the superannuation contributions surcharge exists as at the end of the reporting period, stating the reasons for not recognising the liability.</p> <p>23 This Interpretation requires certain disclosures to be made in respect of the superannuation contributions surcharge. These disclosures will enhance the usefulness and comparability of the financial statements.</p>		Entities applying this interpretation would have public accountability as holding assets in fiduciary capacity. Thus not applicable for Tier 2 entities.

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				They are useful input to an assessment of the financial position of a Superannuation plan.		
1030	Depreciation of Long-Lived Physical Assets: Condition-Based Depreciation and Related Methods	No	-	-		No action required
1031	Accounting for the Goods and Services Tax (GST)	No	-	-		No action required
1038	Contributions by Owners Made to Wholly-Owned Public Sector Entities	No	-	-		No action required
1042	Subscriber Acquisition Costs in the Telecommunications Industry [superseded for for-profit entities by AASB 15 Revenue from Contracts with Customers for periods beginning on or after 1 January 2018]	No	-	-		No action required



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1047	Professional Indemnity Claims Liabilities in Medical Defence Organisations	Yes	Medical Defence Organisations	<p>Disclosures</p> <p>9 The following information shall be disclosed in relation to the determination of the liability for outstanding claims: (a) the accounting policies and methods adopted, including the basis of measurement and key assumptions applied; and (b) information about the nature and extent of the underlying indemnity arrangements, including significant terms and conditions that may affect the amount, timing and uncertainty of future cash flows.</p> <p>28 The purpose of the disclosures required by this Interpretation is to provide users of an MDO's financial statements with information that will enhance their understanding of the basis upon which claims liabilities have been measured and recognised by the MDO. The disclosure requirements are consistent with those in AASB 1023. Various assumptions are required to be made in estimating the future cash flows arising in relation to claims liabilities, such as the incidence of events occurring to the end of the reporting period, the timing of settlement of claims, inflation and discount rates, member retention rates, and the likelihood of members qualifying for ERB, DDR or other run-off indemnity arrangements. Disclosure of the key</p>		<p>Paragraph 28 and 29 only provides guidance on what to disclose.</p> <p>Entities applying this interpretation are typically insurers that would have public accountability as holding assets in fiduciary capacity. Thus not applicable for Tier 2 entities.</p>

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				<p>assumptions applied by an MDO in measuring its claims liabilities assists users of financial statements in assessing the amount, timing and uncertainty of future cash flows.</p> <p>29 Future cash flows of an MDO are affected by the different types of claims indemnity arrangements offered by the MDO, such as claims incurred or claims-made indemnity and ERB, DDR and other run-off arrangements. Accordingly, disclosures are required about the nature of the indemnity arrangements, the extent to which they apply in the MDO's business, and their major terms and conditions. For example, where ERB arrangements are material for an MDO, it discloses any membership period requirements and the basis for determining any exit subscription rates (whether at fair value or otherwise) under which members qualify for those arrangements.</p>		
1052	Tax Consolidation Accounting	Yes	The interpretation explains how AASB 112 is applied in the context of a tax-consolidated group. It is not expected to result in an accounting treatment that is inconsistent with IFRS, in particular IAS 12.	16 The following information shall be disclosed separately by a head entity and by a subsidiary in a tax-consolidated group: (a) the relevance of the tax consolidation system to the entity, including the part of the reporting period for which it applies to the entity where it is not applicable for the whole of the reporting period, and the name of the head entity;		Disclosure was excluded for RDR entities on the basis of cost-benefit considerations. In addition, as the interpretation is

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				<p>(b) the method adopted for measuring the current and deferred tax amounts;</p> <p>(c) information about the nature of any tax funding arrangement and any tax sharing agreement, including significant terms and conditions that may affect the amount, timing and uncertainty of future cash flows; and</p> <p>(d) the net amount recognised for the period as tax consolidation contributions by (or distributions to) equity participants, its major components and the accounts affected.</p> <p>59 A number of specific disclosures are required by this Interpretation in addition to those required by AASB 112, to assist users of the financial statements of the head entity or of a wholly-owned subsidiary to understand the impact of tax consolidation upon the entity. Disclosures concerning the relevance of tax consolidation to an entity would normally include, where applicable, a statement that the adoption of the tax consolidation system had not yet been formally notified to the Australian Taxation Office. Other accounting standards may also require disclosures that are relevant to tax consolidation. For example, AASB 124 Related Party Disclosures requires</p>		<p>not creating any R&amp;M differences to IAS 12, and therefore also not to IFRS for SMEs, no additional disclosures would be required.</p>

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				<p>disclosure of the identity of certain controlling entities, which may or may not include the head entity in the tax-consolidated group, as well as disclosures concerning transactions and balances with related parties, which includes other entities in the tax-consolidated group.</p> <p>60 AASB 137 Provisions, Contingent Liabilities and Contingent Assets requires the disclosure of contingent liabilities. Wholly-owned subsidiaries in a tax-consolidated group have contingent liabilities as a result of their joint and several liability in default circumstances, which is in effect a guarantee by the subsidiaries. If the probability of default by the head entity or leaving the tax-consolidated group is remote, disclosure of the contingent liability is not required.</p>		
1055	Accounting for Road Earthworks	No	-	-		No action required