

Australian Accounting Standard

AAS 37
October 1999

Financial Report Presentation and Disclosures

Prepared by the
Public Sector Accounting Standards Board of the
Australian Accounting Research Foundation and by the
Australian Accounting Standards Board

Issued by the
Australian Accounting Research Foundation
on behalf of the **Australian Society of Certified
Practising Accountants** and **The Institute of
Chartered Accountants in Australia**

Obtaining a Copy of this Accounting Standard

Copies of this Standard are available for purchase from the Australian Accounting Research Foundation by contacting:

The Customer Service Officer
Australian Accounting Research Foundation
211 Hawthorn Road
Caulfield Victoria 3162
AUSTRALIA

Phone: (03) 9524 3637
Fax: (03) 9524 3687
E-mail: publications@aarf.asn.au
Web site: www.aarf.asn.au

Other enquiries:

Phone: (03) 9524 3600
Fax: (03) 9523 5499
E-mail: standard@aarf.asn.au

COPYRIGHT

© 1999 Australian Accounting Research Foundation (AARF). The text, graphics and layout of this Accounting Standard are protected by Australian copyright law and the comparable law of other countries. No part of the Accounting Standard may be reproduced, stored or transmitted in any form or by any means without the prior written permission of the AARF except as permitted by law.

ISSN 1034-3717

AAS 37

2

CONTENTS

MAIN FEATURES OF THE STANDARD ... page 4

Section and page number

1 Application ... 5

2 Operative Date ... 5

3 Purpose of Standard ... 6

4 General Requirements ... 6

Consistency of Presentation ... 8

5 Disclosures ... 9

6 Comparative Information ... 12

Financial Information ... 12

Reclassification of Financial Information ... 13

Narrative Information ... 14

7 Definitions ... 14

CONFORMITY WITH INTERNATIONAL AND NEW
ZEALAND ACCOUNTING STANDARDS ... page 17

DEVELOPMENT OF THE STANDARD ... page 18

Defined words appear in <i>italics</i> the first time they appear in a section. The definitions are in Section 7. Standards are printed in bold type and commentary in light type.

MAIN FEATURES OF THE STANDARD

The Standard:

- (a) prescribes general requirements for the structure and content of financial reports
- (b) requires specific disclosures relating to the entity's operations, audit, economic dependency, dividends and franking credits
- (c) prescribes disclosure of comparative financial and narrative information.

AUSTRALIAN ACCOUNTING STANDARD
AAS 37 “FINANCIAL REPORT PRESENTATION
AND DISCLOSURES”

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.

1.3 The disclosures required by subparagraphs 5.3(a) and 5.3(b) of this Standard are material, irrespective of the amounts involved.

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 36 “Statement of Financial Position”.**

3 Purpose of Standard

- 3.1 **The purpose of this Standard is to prescribe presentation and disclosure requirements for financial reports.**

4 General Requirements

- 4.1 **The financial report must be presented in the English language.**
- 4.2 **The financial report must be clearly identified and distinguished from other information in the same published document.**
- 4.2.1 Australian Accounting Standards apply only to the financial report and not to other information presented in the same published document. Therefore, it is important that users are able to distinguish information that is prepared using Australian Accounting Standards from other information which may be useful to users, but is not subject to Australian Accounting Standards.
- 4.3 **If the *entity’s* annual financial report presents information for current or prior annual reporting periods that are not equal to twelve months, the entity must disclose, in addition to the period covered by the financial report:**
- (a) **the reason for a period other than twelve months being used**
 - (b) **the fact that comparative amounts disclosed in the financial report and related notes are not comparable where the lengths of the reporting periods differ.**
- 4.3.1 The annual financial report will usually relate to a twelve-month period. Where the current reporting period or a prior reporting period for which comparative information is presented in the annual financial report relates to a period with a length other than twelve months, the information required by paragraph 4.3 is disclosed. Annual reporting periods that differ from twelve months by not more than seven days may not be materially different from a twelve

month period and may not warrant the disclosures required by paragraph 4.3.

4.4 Each component of the financial report must be clearly identified. In addition, the following information must be prominently displayed and repeated when it is necessary for a proper understanding of the information presented:

- (a) **the name of the *reporting entity* or other means of identification, and any change in name from the preceding *reporting date***
- (b) **whether the financial report covers an individual reporting entity or an *economic entity* or both**
- (c) **the reporting date or the period covered by each *financial statement*, as is appropriate**
- (d) **the rounding used in the presentation of amounts in the financial report**
- (e) **when currencies other than the Australian currency are used in the financial report, the currencies in which amounts are stated.**

4.4.1 The financial report components include the financial statements and the notes in the financial report. The requirements in paragraph 4.4 are normally met by presenting page headings and abbreviated column headings on each page of the financial report. Judgement is required in determining the best way of presenting such information.

4.5 Notes in the financial report must be presented in a systematic manner. Each item on the face of a financial statement must be cross-referenced to any directly related information in the notes.

4.5.1 Notes in financial reports may include narrative descriptions or more detailed analyses of amounts shown on the face of the financial statements as well as additional information such as contingent *liabilities* and commitments.

4.5.2 Notes in *general purpose financial reports* are normally presented in the following order which assists users in understanding the financial statements and comparing them with those of other entities:

- (a) summary of accounting policies in accordance with Australian Accounting Standard AAS 6 “Accounting Policies”
- (b) supporting information for items presented on the face of the financial statements in the order in which each financial statement and each line item is presented
- (c) other disclosures, including:
 - (i) contingencies, commitments and other financial disclosures
 - (ii) non-financial disclosures.

Consistency of Presentation

4.6 The presentation and classification of items in the financial report must be retained from one reporting period to the next unless:

- (a) **a significant change in the nature of the operations of the entity requires a more relevant presentation or classification of transactions or other events; or**
- (b) **a review of the presentation of the entity's financial report concludes that the change will result in a more relevant presentation or classification of transactions or other events; or**
- (c) **a change in presentation or classification is required by another Standard or an Urgent Issues Group Consensus View.**

4.6.1 A significant acquisition or disposal of an entity or an operation, or a review of the financial report presentation, may lead to a different presentation of the financial report. The entity changes the presentation of its financial report where the revised structure is likely to continue and the benefit of an alternative presentation is clear. When a change in presentation is made, the entity reclassifies its comparative information in accordance with paragraph 6.2.

5 Disclosures

5.1 Where appropriate, the *entity* must disclose the following if not provided elsewhere in information published in the document that contains the financial report:

- (a) the domicile and legal form of the entity, its country of incorporation and the address of the registered office, if any (and principal place of business, if different from the registered office or if no registered office)**
- (b) a description of the nature of the entity's operations and its principal activities**
- (c) the name of the *parent entity* of the entity and the ultimate parent entity, if any**
- (d) either the number of employees at the *reporting date* or the average number of employees during the reporting period.**

5.1.1 For the purpose of subparagraph 5.1(d), the number of employees includes both full-time employees and part-time employees measured on a full-time equivalent basis.

5.2 The notes in the financial report must disclose additional information that is not presented in the *financial statements* and that is necessary to enable an assessment of the entity's financial performance and financial position to be made.

5.2.1 The requirement in paragraph 5.2 does not prohibit the disclosure in the notes in the financial report of information already disclosed in the financial statements. In some cases, it may be desirable to repeat information already disclosed in the financial statements to support the information disclosed in the notes in the financial report.

5.3 The following information must be disclosed:

- (a) in the financial report of an entity other than an *economic entity*, the amounts of remuneration of:**
 - (i) the auditor of the entity for an audit or a review of the financial reports of the entity**

- (ii) the auditor of the entity for other services in relation to the entity
 - (iii) a *related practice* of the auditor for other services in relation to the entity
- (b) in the financial report of an economic entity, the amounts of remuneration of:
- (i) the auditor of the parent entity of the economic entity, for an audit or a review of the financial report of any entity in the economic entity
 - (ii) the auditor of the parent entity of the economic entity, for other services in relation to any entity in the economic entity
 - (iii) a related practice of the auditor of the parent entity of the economic entity, for other services in relation to any entity in the economic entity
 - (iv) the auditors of the *subsidiaries* in the economic entity, other than those disclosed in accordance with subparagraph 5.3(b)(i), for an audit or a review of the financial reports of those subsidiaries
- (c) where the entity is dependent on another entity for a significant volume of *revenue* or financial support and that dependency is not clearly discernible from a separate line item in the statement of financial performance or statement of financial position:
- (i) the name of the entity on which there is an economic dependency
 - (ii) the nature of that economic dependency
- (d) the accounting policy for restoration costs relating to non-current *assets*
- (e) for each class of shares included in *equity*, where either dividends payable were first recognised as a *liability* during the reporting period or dividends were paid during the reporting period without previously being recognised as a liability:

- (i) **the amount, in aggregate and per share, of those dividends that have been or will be franked and the tax rate at which those dividends have been or will be franked**
 - (ii) **the amount, in aggregate and per share, of those dividends that have not been or will not be franked**
- (f) **the amount of franking credits available for subsequent reporting periods to the shareholders in the entity if it is not an economic entity or the parent entity in an economic entity, by disclosing the balance of the franking account as at the reporting date, adjusted for:**
- (i) **franking credits that will arise from the payment of the amount of the *provision for income tax***
 - (ii) **franking debits that will arise from the payment of dividends recognised as a liability at the reporting date**
 - (iii) **franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date**
 - (iv) **franking credits that the entity may be prevented from distributing in subsequent reporting periods.**

5.3.1 Circumstances may exist where economic dependency is considered to be clearly discernible from a separate line item in the statement of financial performance or the statement of financial position. For example, where a government department receives appropriations from the Government (represented as a single line item in the statement of financial performance) and this revenue represents most of total revenue, the requirement in paragraph 5.3(c) is satisfied and further note disclosure is not required.

6 Comparative Information

Financial Information

- 6.1 **The *entity* must disclose financial information for the *preceding reporting period* that corresponds to the disclosures required by a Standard for the reporting period, except where:**
- (a) **the entity applied a superseded version of that Standard in the preceding corresponding reporting period, to the extent that the superseded Standard did not require disclosure of information that corresponds to the information required to be disclosed by the current Standard; or**
 - (b) **the entity did not apply either the current Standard or a superseded version of the current Standard in the preceding corresponding reporting period.**
- 6.1.1 Where the entity applied a superseded Standard in the preceding corresponding reporting period, disclosure of comparative information is required to the extent that the superseded Standard required disclosure of information which corresponds to the information required to be disclosed by the Standard.
- 6.1.2 In relation to the preparation of a consolidated financial report of an *economic entity*, comparative information is not required for the first reporting period after an entity becomes a *parent entity*.
- 6.1.3 In some cases a Standard may require the entity to disclose an item which is immaterial in either the current reporting period or as comparative information but not both. An immaterial item need not be disclosed. However, if the item is material in either the current reporting period or as comparative information, that item would be disclosed for the reporting period in which it is material. Similarly, excluding the introduction of a new or revised Standard, if a Standard applies to the entity in either the current reporting period or a prior reporting period, disclosures required by that Standard are disclosed for the reporting period to which the Standard applies.
- 6.1.4 Disclosure of comparative information is encouraged even when not required in accordance with paragraph 6.1.
- 6.1.5 The requirements of this Standard for the disclosure of comparative information apply to the disclosures required by all Standards,

unless this Standard's requirements are over-ridden by another Standard, in accordance with paragraph 1.2. Some Standards may extend the requirements of this Standard for the disclosure of comparative information.

Reclassification of Financial Information

6.2 Subject to paragraph 6.3, when the presentation or classification of items in the financial report is amended:

- (a) comparative amounts must be represented or reclassified, unless it is impracticable to do so, to ensure comparability with the current reporting period**
- (b) the nature and amount of, and reason for, the representation or reclassification must be disclosed**
- (c) if it is impracticable to represent or reclassify comparative amounts, the entity must disclose:**
 - (i) the reason for not representing or reclassifying the comparative amounts**
 - (ii) the nature of the changes that would have been made if amounts were represented or reclassified.**

6.2.1 It may be impracticable to reclassify comparative information in the financial report to achieve comparability with disclosures for the reporting period. For example, data may not have been collected in prior reporting periods in a way that allows reclassification. In such circumstances, the nature of the adjustments to comparative amounts that would have been made are disclosed.

6.3 Comparative amounts must not be reclassified on the face of the *financial statements* where this would require an adjustment to be made to the balance of retained profits (surplus) or accumulated losses (deficiency) as at the end of the preceding reporting period.

6.3.1 Australian Accounting Standard AAS 6 "Accounting Policies" requires the restatement of comparative information in the notes in the financial report in the case of changes in accounting policies other than those arising on adoption of an Australian Accounting Standard or an Urgent Issues Group Consensus View. Similarly, Australian Accounting Standards AAS 1 "Statement of Financial Performance" and AAS 36 "Statement of Financial Position" require

the restatement of comparative information in the notes in the financial report in the case of a fundamental error.

Narrative Information

6.4 Comparative information relating to narrative information included in the financial report must be included when it is relevant to an understanding of the financial report, except where:

- (a) in the preceding corresponding reporting period the entity applied a superseded version of a Standard requiring disclosure of narrative information, and the superseded Standard did not require disclosure of information that corresponds to the information required to be disclosed by a current Standard; or**
- (b) the entity did not apply either a current Standard or a superseded version of a current Standard in the preceding corresponding reporting period.**

6.4.1 In some cases, narrative information provided in the financial report for prior reporting periods continues to be relevant in the current reporting period. For example, details of a legal dispute, the outcome of which was uncertain at the last *reporting date* and is yet to be resolved, are disclosed in the current reporting period. Users benefit from information that the uncertainty existed at the last reporting date, and knowledge of any event that affects the uncertainty.

7 Definitions

7.1 In this Standard:

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

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*

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

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

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

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

provision for income tax means the current liability for the estimated amount of income tax which is assessable on the taxable income of the entity for the current and prior reporting periods (to the extent that such tax has not already been paid)

related practice means, in relation to the auditor's practice:

- (a) an entity through which an auditor provides professional services to clients and that has one or more partners or directors in common with the auditor's practice; or
- (b) an entity that is owned by the relatives of one or more partners of the auditor's practice and that shares fees or profits with the auditor's practice in respect of the entity that is subject to the financial reporting obligation; or
- (c) any other entity that shares fees or profits with the auditor's practice in respect of the entity that is subject to the financial reporting obligation

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.

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 financial report presentation and disclosures (other than as covered in Australian Accounting Standards AAS 1 “Statement of Financial Performance” and AAS 36 “Statement of Financial Position”), except that IAS 1 requires a departure from a requirement of an International Accounting Standard when management concludes that compliance would be misleading and a departure is necessary to obtain a fair presentation.

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 Standard FRS-2 “Presentation of Financial Reports” to the extent that FRS-2 relates to financial report presentation and disclosures (other than as covered in Australian Accounting Standards AAS 1 “Statement of Financial Performance” and AAS 36 “Statement of Financial Position”), except that FRS-2 requires the preparation of a statement of movements in equity.

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 general disclosures in financial reports. Other parts of ED 91 have been included in other Standards. In particular, those parts of ED 91 relating to the statement of financial position have been included in Australian Accounting Standard AAS 36 “Statement of Financial Position” 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) specifies general requirements for the presentation of a financial report
 - (b) requires disclosure of additional information to that required by applicable Standards if that information is necessary to enable an assessment of the entity’s financial position and financial performance
 - (c) requires disclosure of comparative financial and narrative information.

Noteworthy Difference from ED 91

- 5 The Standard retains the basic form and content of the proposals in ED 91 relating to financial report presentation and disclosures, except that the Standard does not require the disclosure of dividends per share on the face of the statement of financial performance.