AASB 101 *Presentation of Financial Statements* and *IFRS for SMEs*:

- **Section 3 *Financial Statement Presentation***
- **Section 4 *Statement of Financial Position***
- **Section 5 *Statement of Comprehensive Income and Income Statement***
- **Section 6 *Statement of Changes in Equity and Statement of Income and Retained Earnings***
- **Section 8 *Notes to the Financial Statements***

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1. Executive Summary

Main differences in recognition, measurement or presentation requirements

The presentation requirements in the *IFRS for SMEs* are similar to those in AASB 101, although AASB 101 requires an entity to have a second comparative statement of financial position when it applies an accounting policy retrospectively or makes a retrospective restatement or reclassification.

Disclosure proposals

It is proposed to:

- exclude paragraphs 15, 16. Aus16.1, 42(b), 61, 80A, 90, 92, 100, 104, 131, 134, 135, 136, 136A, 137, 138, Aus138.1, Aus138.2, Aus138.3, Aus138.4, Aus138.5 and Aus138.6 from the Reduced Disclosure Regime (RDR); and
- add paragraphs RDR15, RDR16 and RDRAus16.1 to the RDR.

2. Analysis of disclosure requirements

Text in AASB 101 *Presentation of Financial Statements*	Text in *IFRS for SMEs* Section 3 *Financial Statement Presentation,* Section 4 *Statement of Financial Position,* Section 5 *Statement of Comprehensive Income and Income Statement,* Section 6 *Statement of Changes in Equity and Statement of Income and Retained Earnings,* and Section 8 *Notes to the Financial Statements*	Comment
15 **Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the *Framework*. The application of IFRSs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.**	3.2 Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in Section 2 Concepts and Pervasive Principles. (a) The application of the *IFRS for SMEs*, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation of the financial position, financial performance and cash flows of SMEs.	Paragraph 15 and paragraph 3.2 of the *IFRS for SMEs* correspond. However, paragraph 15 should be excluded from the RDR and instead an RDR paragraph that corresponds to paragraph 15 should be added to the RDR.
Aus15.1 The Corporations Act requires an entity's financial report to comply with Australian Accounting Standards and, if necessary to give a true and fair view, further information to be disclosed in the notes.		Paragraph Aus15.1 should be retained in the RDR since it would apply to both Tier 1 and Tier 2 entities reporting under the Corporations Act.

Text in AASB 101 ***Presentation of Financial Statements***	**Text in *IFRS for SMEs*** **Section 3 *Financial Statement Presentation*, Section 4 *Statement of Financial Position*, Section 5 *Statement of Comprehensive Income and Income Statement*, Section 6 *Statement of Changes in Equity and Statement of Income and Retained Earnings*, and Section 8 *Notes to the Financial Statements***	**Comment**
Aus15.2 An entity shall disclose in the notes a statement whether the financial statements have been prepared in accordance with Australian Accounting Standards.		Paragraph Aus15.2 should be retained in the RDR since it would apply to both Tier 1 and Tier 2 entities. Furthermore, paragraph Aus15.2 should be amended to require disclosure of whether the entity has complied with Tier 1(full IFRSs as adopted in Australia) or Tier 2 (RDR).
Aus15.4 An entity shall disclose in the notes that the financial statements are general purpose financial statements, or if applicable, *special purpose financial statements*.		Paragraph Aus15.4 should be deleted from AASB 101 since, under the revised differential reporting framework, the AASB is only concerned with developing standards for GPFSs.
16 An entity whose financial statements comply with IFRSs shall make an explicit and unreserved statement of such compliance in the notes. An entity shall not describe financial statements as complying with IFRSs unless they comply with all the requirements of IFRSs.	3.3 An entity whose financial statements comply with the *IFRS for SMEs* shall make an explicit and unreserved statement of such compliance in the notes. Financial statements shall not be described as complying with the *IFRS for SMEs* unless they comply with all the requirements of this IFRS.	Paragraph 16 and paragraph 3.3 of the IFRS for SMEs correspond. An RDR paragraph that corresponds to paragraph 16 should be added to the RDR.
Aus16.1 Where an entity can make the explicit and unreserved statement of compliance in respect of only: **(a) the parent financial statements and notes; or** **(b) the consolidated financial statements and notes;** **the entity shall make the explicit and unreserved statement of compliance in accordance with paragraph 16 and clearly identify to which financial**		The circumstances dealt with in paragraph Aus16.1 are also relevant in the context of the RDR. An RDR paragraph that corresponds to paragraph Aus16.1 should be added to the RDR.

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statements and notes it relates.		

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23 In the extremely rare circumstances in which management concludes that compliance with a requirement in an Australian Accounting Standard would be so misleading that it would conflict with the objective of financial statements set out in the *Framework*, but the relevant regulatory framework prohibits departure from the requirement, the entity shall, to the maximum extent possible, reduce the perceived misleading aspects of compliance by disclosing: **(a) the title of the Australian Accounting Standard in question, the nature of the requirement, and the reason why management has concluded that complying with that requirement is so misleading in the circumstances that it conflicts with the objective of financial statements set out in the Framework; and** **(b) for each period presented, the adjustments to each item in the financial statements that management has concluded would be necessary to achieve a fair presentation.**	3.7 In the extremely rare circumstances when management concludes that compliance with a requirement in this IFRS would be so misleading that it would conflict with the objective of financial statements of SMEs set out in Section 2, but the relevant regulatory framework prohibits departure from the requirement, the entity shall, to the maximum extent possible, reduce the perceived misleading aspects of compliance by disclosing the following: (a) the nature of the requirement in this IFRS, and the reason why management has concluded that complying with that requirement is so misleading in the circumstances that it conflicts with the objective of financial statements set out in Section 2. (b) for each period presented, the adjustments to each item in the financial statements that management has concluded would be necessary to achieve a fair presentation.	Paragraph 23 and paragraph 3.7 in the *IFRS for SMEs* correspond. Paragraph 23 should be retained in the RDR.
24 For the purpose of paragraphs 19 – 23, an item of information would conflict with the objective of financial statements when it does not represent faithfully the transactions, other events and conditions that it either purports to represent or could reasonably be expected to represent and, consequently, it would be likely to influence economic decisions made by users of financial statements. When assessing whether complying with a specific requirement in an Australian Accounting Standard would be	3.5 When an entity departs from a requirement of this IFRS in accordance with paragraph 3.4, it shall disclose the following: (a) that management has concluded that the financial statements present fairly the entity's financial position, financial performance and cash flows. (b) that it has complied with the *IFRS for SMEs*, except that it has departed from a particular	Paragraph 24 is in the nature of guidance and, based on the reasoning in paragraph IN7 of this Appendix, should be retained in the RDR. IAS 1 paragraphs 19 to 22, which correspond to paragraphs 3.5 to 3.6 of the *IFRS for SMEs*, are excluded from

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so misleading that it would conflict with the objective of financial statements set out in the *Framework*, management considers: (a) why the objective of financial statements is not achieved in the particular circumstances; and (b) how the entity's circumstances differ from those of other entities that comply with the requirement. If other entities in similar circumstances comply with the requirement, there is a rebuttable presumption that the entity's compliance with the requirement would not be so misleading that it would conflict with the objective of financial statements set out in the *Framework*.	requirement to achieve a fair presentation. (c) the nature of the departure, including the treatment that the *IFRS for SMEs* would require, the reason why that treatment would be so misleading in the circumstances that it would conflict with the objective of financial statements set out in Section 2, and the treatment adopted. 3.6 When an entity has departed from a requirement of this IFRS in a prior period, and that departure affects the amounts recognised in the financial statements for the current period, it shall make the disclosures set out in paragraph 3.5(c).	AASB 101 because they conflict with Australian legislative requirements to comply with Australian Accounting Standards. Similarly, paragraphs 3.5 and 3.6 of the IFRS for SMEs should not be added to the RDR.
25 **When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. An entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose those uncertainties. When an entity does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern.**	3.8 When preparing financial statements, the management of an entity using this IFRS shall make an assessment of the entity's ability to continue as a going concern. An entity is a going concern unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the reporting date. 3.9 When management is aware, in making its assessment, of material uncertainties related to events or conditions that cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose those uncertainties. When an entity does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it	Paragraph 25 and paragraphs 3.8 and 3.9 of the *IFRS for SMEs* correspond. Paragraph 25 should be retained in the RDR.

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	prepared the financial statements and the reason why the entity is not regarded as a going concern.	
36 **An entity shall present a complete set of financial statements (including comparative information) at least annually. When an entity changes the end of its reporting period and presents financial statements for a period longer or shorter than one year, an entity shall disclose, in addition to the period covered by the financial statements:** **(a) the reason for using a longer or shorter period; and** **(b) the fact that amounts presented in the financial statements are not entirely comparable.**	3.10 An entity shall present a complete set of financial statements (including comparative information–see paragraph 3.14) at least annually. When the end of an entity's reporting period changes and the annual financial statements are presented for a period longer or shorter than one year, the entity shall disclose the following: (a) that fact. (b) the reason for using a longer or shorter period. (c) the fact that comparative amounts presented in the financial statements (including the related notes) are not entirely comparable.	Paragraph 36 and paragraph 3.10 of the *IFRS for SMEs* correspond. Paragraph 36 should be retained in the RDR.
38 **Except when Australian Accounting Standards permit or require otherwise, an entity shall disclose comparative information in respect of the previous period for all amounts reported in the current period's financial statements. An entity shall include comparative information for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.**	3.14 Except when this IFRS permits or requires otherwise, an entity shall disclose comparative information in respect of the previous comparable period for all amounts presented in the current period's financial statements. An entity shall include comparative information for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.	Paragraph 38 and paragraph 3.14 of the *IFRS for SMEs* correspond. Paragraph 38 should be retained in the RDR.
41 **When the entity changes the presentation or classification of items in its financial statements, the entity shall reclassify comparative amounts unless reclassification is impracticable. When the entity reclassifies comparative amounts, the entity shall disclose:**	3.12 When the presentation or classification of items in the financial statements is changed, an entity shall reclassify comparative amounts unless the reclassification is impracticable. When comparative amounts are reclassified, an entity shall disclose the following: (a) the nature of the reclassification.	Paragraph 41 and paragraph 3.12 of the *IFRS for SMEs* correspond. Paragraph 41 should be retained in the RDR.

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(a) the nature of the reclassification; **(b) the amount of each item or class of items that is reclassified; and** **(c) the reason for the reclassification.**	(b) the amount of each item or class of items that is reclassified. (c) the reason for the reclassification.	

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42 When it is impracticable to reclassify comparative amounts, an entity shall disclose: **(a) the reason for not reclassifying the amounts; and** **(b) the nature of the adjustments that would have been made if the amounts had been reclassified.**	3.13 If it is impracticable to reclassify comparative amounts, an entity shall disclose why reclassification was not practicable.	Paragraph 42(a) and paragraph 3.13 of the *IFRS for SMEs* correspond. Paragraph 42(a) should be retained in the RDR. Paragraph 42(b) has no equivalent in the *IFRS for SMEs* and, based on the reasoning in paragraph IN 3 of this Appendix, should be excluded from the RDR.
61 Whichever method of presentation is adopted, an entity shall disclose the amount expected to be recovered or settled after more than twelve months for each asset and liability line item that combines amounts expected to be recovered or settled: **(a) no more than twelve months after the reporting period, and** **(b) more than twelve months after the reporting period.**		Paragraph 61 has no equivalent in the *IFRS for SMEs* and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.
77 An entity shall disclose, either in the statement of financial position or in the notes, further subclassifications of the line items presented, classified in a manner appropriate to the entity's operations. 78 The detail provided in subclassifications depends on the requirements of Australian Accounting Standards and on the size, nature and function of the amounts involved. An entity also uses the factors set out in paragraph 58 to decide the basis of subclassification. The disclosures vary for each	4.9 This IFRS does not prescribe the sequence or format in which items are to be presented. Paragraph 4.2 simply provides a list of items that are sufficiently different in nature or function to warrant separate presentation in the statement of financial position. In addition: (a) line items are included when the size, nature or function of an item or aggregation of similar items is such that separate presentation is relevant to an understanding of the entity's financial	Paragraphs 77 and 78 and paragraphs 4.9 and 4.11 of the *IFRS for SMEs* correspond. Paragraphs 77 and 78 should be retained in the RDR.

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item, for example: (a) items of property, plant and equipment are disaggregated into classes in accordance with AASB 116; (b) receivables are disaggregated into amounts receivable from trade customers, receivables from related parties, prepayments and other amounts; (c) inventories are disaggregated, in accordance with AASB 102 *Inventories*, into classifications such as merchandise, production supplies, materials, work in progress and finished goods; (d) provisions are disaggregated into provisions for employee benefits and other items; and (e) equity capital and reserves are disaggregated into various classes, such as paid-in capital, share premium and reserves.	position, and (b) the descriptions used and the sequencing of items or aggregation of similar items may be amended according to the nature of the entity and its transactions, to provide information that is relevant to an understanding of the entity's financial position. 4.11 An entity shall disclose, either in the statement of financial position or in the notes, the following subclassifications of the line items presented: (a) property, plant and equipment in classifications appropriate to the entity. (b) trade and other receivables showing separately amounts due from related parties, amounts due from other parties, and receivables arising from accrued income not yet billed. (c) inventories, showing separately amounts of inventories: (i) held for sale in the ordinary course of business. (ii) in the process of production for such sale. (iii) in the form of materials or supplies to be consumed in the production process or in the rendering of services. (d) trade and other payables, showing separately amounts payable to trade suppliers, payable to related parties, deferred income and accruals.	

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	(e) provisions for employee benefits and other provisions. (f) classes of equity, such as paid-in capital, share premium, retained earnings and items of income and expense that, as required by this IFRS, are recognised in other comprehensive income and presented separately in equity.	

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79 An entity shall disclose the following, either in the statement of financial position or the statement of changes in equity, or in the notes: **(a) for each class of share capital:** **(i) the number of shares authorised;** **(ii) the number of shares issued and fully paid, and issued but not fully paid;** **(iii) par value per share, or that the shares have no par value;** **(iv) a reconciliation of the number of shares outstanding at the beginning and at the end of the period;** **(v) the rights, preferences and restrictions attaching to that class including restrictions on the distribution of dividends and the repayment of capital;** **(vi) shares in the entity held by the entity or by its subsidiaries or associates; and** **(vii) shares reserved for issue under options and contracts for the sale of shares, including terms and amounts; and** **(b) a description of the nature and purpose of each reserve within equity.**	4.12 An entity with share capital shall disclose the following, either in the statement of financial position or in the notes: (a) for each class of share capital: (i) the number of shares authorised. (ii) the number of shares issued and fully paid, and issued but not fully paid. (iii) par value per share, or that the shares have no par value. (iv) a reconciliation of the number of shares outstanding at the beginning and at the end of the period. (v) the rights, preferences and restrictions attaching to that class including restrictions on the distribution of dividends and the repayment of capital. (vi) shares in the entity held by the entity or by its subsidiaries or associates. (vii) shares reserved for issue under options and contracts for the sale of shares, including the terms and amounts. (b) a description of each reserve within equity.	Paragraph 79 and paragraph 4.12 of the *IFRS for SMEs* correspond. Paragraph 79 should be retained in the RDR.
80 An entity without share capital, such as a partnership or trust, shall disclose information equivalent to that required by paragraph 79(a), showing changes during the period in each category of equity interest, and the	4.13 An entity without share capital, such as a partnership or trust, shall disclose information equivalent to that required by paragraph 4.12(a), showing changes during the period in each category of equity, and the rights,	Paragraph 80 and paragraph 4.13 of the *IFRS for SMEs* correspond. Paragraph 80 should be retained in the RDR.

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	rights, preferences and restrictions attaching to each category of equity interest.		preferences and restrictions attaching to each category of equity.	
80A	**If an entity has reclassified:** **(a) a puttable financial instrument classified as an equity instrument; or** **(b) an instrument that imposes on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation and is classified as an equity instrument; between financial liabilities and equity, it shall disclose the amount reclassified into and out of each category (financial liabilities or equity), and the timing and reason for that reclassification.**			Paragraph 80A has no equivalent in the *IFRS for SMEs* and, based on the reasoning in paragraph IN 3 of this Appendix, should be excluded from the RDR.
82	**As a minimum, the statement of comprehensive income shall include line items that present the following amounts for the period:** **(a) revenue;** **(b) finance costs;** **(c) share of the profit or loss of associates and joint ventures accounted for using the equity method;** **(d) tax expense;** **(e) a single amount comprising the total of:** **(i) the post-tax profit or loss of discontinued operations; and** **(ii) the post-tax gain or loss recognised on the**	5.5	As a minimum, an entity shall include, in the statement of comprehensive income, line items that present the following amounts for the period: (a) revenue. (b) finance costs. (c) share of the profit or loss of investments in associates (see Section 14 *Investments in Associates*) and jointly controlled entities (see Section 15 *Investments in Joint Ventures*) accounted for using the equity method. (d) tax expense excluding tax allocated to items (e), (g) and (h) below (see paragraph 29.27).	Paragraph 82 and paragraph 5.5 of the *IFRS for SMEs* correspond. Paragraph 82 should be retained in the RDR.

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measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation; **(f) profit or loss;** **(g) each component of other comprehensive income classified by** **nature (excluding amounts in (h));** **(h) share of the other comprehensive income of associates and** **joint ventures accounted for using the equity method; and** **(i) total comprehensive income.**	(e) a single amount comprising the total of (i) the post-tax profit or loss of a discontinued operation, and (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the net assets constituting the discontinued operation. (f) profit or loss (if an entity has no items of other comprehensive income, this line need not be presented). (g) each item of other comprehensive income (see paragraph 5.4(b)) classified by nature (excluding amounts in (h)). (h) share of the other comprehensive income of associates and jointly controlled entities accounted for by the equity method. (i) total comprehensive income (if an entity has no items of other comprehensive income, it may use another term for this line such as profit or loss).	

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83 An entity shall disclose the following items in the statement of comprehensive income as allocations for the period: **(a) profit or loss for the period attributable to:** **(i) non-controlling interests; and** **(ii) owners of the parent; and** **(b) total comprehensive income for the period attributable to:** **(i) non-controlling interests; and** **(ii) owners of the parent.**	5.6 An entity shall disclose separately the following items in the statement of comprehensive income as allocations for the period: (a) profit or loss for the period attributable to (i) non-controlling interest. (ii) owners of the parent. (b) total comprehensive income for the period attributable to (i) non-controlling interest. (ii) owners of the parent.	Paragraph 83 and paragraph 5.6 of the *IFRS for SMEs* correspond. Paragraph 83 should be retained in the RDR.
85 An entity shall present additional line items, headings and subtotals in the statement of comprehensive income and the separate income statement (if presented), when such presentation is relevant to an understanding of the entity's financial performance.	5.9 An entity shall present additional line items, headings and subtotals in the statement of comprehensive income (and in the income statement, if presented), when such presentation is relevant to an understanding of the entity's financial performance.	Paragraph 85 and paragraph 5.9 of the *IFRS for SMEs* correspond. Paragraph 85 should be retained in the RDR.

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87	**An entity shall not present any items of income or expense as extraordinary items, in the statement of comprehensive income or the separate income statement (if presented), or in the notes.**	5.10	An entity shall not present or describe any items of income and expense as 'extraordinary items' in the statement of comprehensive income (or in the income statement, if presented) or in the notes.	Paragraph 87 and paragraph 5.10 of the *IFRS for SMEs* correspond. Paragraph 87 should be retained in the RDR.
90	**An entity shall disclose the amount of income tax relating to each component of other comprehensive income, including reclassification adjustments, either in the statement of comprehensive income or in the notes.**			Paragraph 90 has no equivalent in the *IFRS for SMEs* and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.
92	**An entity shall disclose reclassification adjustments relating to components of other comprehensive income.**			Paragraph 92 has no equivalent in the *IFRS for SMEs* and, based on the reasoning in paragraph IN 3 of this Appendix, should be excluded from the RDR.
97	**When items of income or expense are material, an entity shall disclose their nature and amount separately.**	3.15	An entity shall present separately each material class of similar items. An entity shall present separately items of a dissimilar nature or function unless they are immaterial.	Paragraph 97 and paragraph 3.15 of the *IFRS for SMEs* correspond. Paragraph 97 should be retained in the RDR.

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98 Circumstances that would give rise to the separate disclosure of items of income and expense include: (a) write-downs of inventories to net realisable value or of property, plant and equipment to recoverable amount, as well as reversals of such write-downs; (b) restructurings of the activities of an entity and reversals of any provisions for the costs of restructuring; (c) disposals of items of property, plant and equipment; (d) disposals of investments; (e) discontinued operations; (f) litigation settlements; and (g) other reversals of provisions.		Paragraph 98 is in the nature of guidance and, based on the reasoning in paragraph IN7 of this Appendix, should be retained in the RDR.
99 An entity shall present an analysis of expenses recognised in profit or loss using a classification based on either their nature or their function within the entity, whichever provides information that is reliable and more relevant.	5.11 An entity shall present an analysis of expenses using a classification based on either the nature of expenses or the function of expenses within the entity, whichever provides information that is reliable and more relevant. (a) Under this method of classification, expenses are aggregated in the statement of comprehensive income according to their nature (eg depreciation, purchases of materials, transport costs, employee benefits and advertising costs), and are not reallocated among various functions within the entity. (b) Under this method of classification, expenses are aggregated according to their function as part of cost of	Paragraph 99 and paragraph 5.11 of the *IFRS for SMEs* correspond. Paragraph 99 should be retained in the RDR.

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	sales or, for example, the costs of distribution or administrative activities. At a minimum, an entity discloses its cost of sales under this method separately from other expenses.	

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100	Entities are encouraged to present the analysis in paragraph 99 in the statement of comprehensive income or in the separate income statement (if presented).		Paragraph 100 provides guidance on how to make the disclosures required by paragraph 99. Based on the reasoning in paragraph IN8 of this Appendix, paragraph 100 should be retained in the RDR.
102	The first form of analysis is the 'nature of expense' method. An entity aggregates expenses within profit or loss according to their nature (for example, depreciation, purchases of materials, transport costs, employee benefits and advertising costs), and does not reallocate them among functions within the entity. This method may be simple to apply because no allocations of expenses to functional classifications are necessary. An example of a classification using the nature of expense method is as follows: Revenue — X Other income — X Changes in inventories of finished goods and work in progress — X Raw materials and consumables used — X Employee benefits expense — X Depreciation and amortisation expense — X Other expenses — X Total expenses — (X) Profit before tax — X	**Analysis by nature of expense** 5.11(a) Under this method of classification, expenses are aggregated in the statement of comprehensive income according to their nature (eg depreciation, purchases of materials, transport costs, employee benefits and advertising costs), and are not reallocated among various functions within the entity.	Paragraph 102 and paragraph 5.11(a) of the *IFRS for SMEs* correspond. Paragraph 102 should be retained in the RDR.

Text in AASB 101 *Presentation of Financial Statements*		**Text in** ***IFRS for SMEs*** **Section 3** ***Financial Statement Presentation*****, Section 4** ***Statement of Financial Position*****, Section 5** ***Statement of Comprehensive Income and Income Statement*****, Section 6** ***Statement of Changes in Equity and Statement of Income and Retained Earnings*****, and Section 8** ***Notes to the Financial Statements***	**Comment**
103	The second form of analysis is the 'function of expense' or 'cost of sales' method and classifies expenses according to their function as part of cost of sales or, for example, the costs of distribution or administrative activities. At a minimum, an entity discloses its cost of sales under this method separately from other expenses. This method can provide more relevant information to users than the classification of expenses by nature, but allocating costs to functions may require arbitrary allocations and involve considerable judgement. An example of a classification using the function of expense method is as follows: Revenue X Cost of sales (X) Gross profit X Other income X Distribution costs (X) Administrative expenses (X) Other expenses (X) Profit before tax X	**Analysis by function of expense** 5.11(b) Under this method of classification, expenses are aggregated according to their function as part of cost of sales or, for example, the costs of distribution or administrative activities. At a minimum, an entity discloses its cost of sales under this method separately from other expenses.	Paragraph 103 and paragraph 5.11(b) of the *IFRS for SMEs* correspond. Paragraph 103 should be retained in the RDR.
104	**An entity classifying expenses by function shall disclose additional information on the nature of expenses, including depreciation and amortisation expense and employee benefits expense.**		Paragraph 104 has no equivalent in the *IFRS for SMEs* and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.
105	The choice between the function of expense method and the nature of expense method depends on historical and industry		Paragraph 105 is guidance relating to a disclosure retained in the RDR, and,

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	factors and the nature of the entity. Both methods provide an indication of those costs that might vary, directly or indirectly, with the level of sales or production of the entity. Because each method of presentation has merit for different types of entities, this Standard requires management to select the presentation that is reliable and more relevant. However, because information on the nature of expenses is useful in predicting future cash flows, additional disclosure is required when the function of expense classification is used. In paragraph 104, 'employee benefits' has the same meaning as in AASB 119.			based on the reasoning in paragraph IN7 of this Appendix, should be retained in the RDR.
106	**An entity shall present a statement of changes in equity showing in the statement:** **(a) total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests;** **(b) for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with AASB 108; and** **(c) [deleted by the IASB]** **(d) for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:** **(i) profit or loss;** **(ii) each item of other comprehensive income;**	6.3	An entity shall present a statement of changes in equity showing in the statement: (a) total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests. (b) for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with Section 10 *Accounting Policies, Estimates and Errors*. (c) for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from: (i) profit or loss. (ii) each item of other comprehensive income.	Except for the disclosure of dividends per share (DPS) in paragraph 107, paragraphs 106 and 107 correspond to paragraph 6.3 of the *IFRS for SMEs*. Based on the reasoning in paragraphs IN2 and IN3 of this Appendix, paragraphs 106 and 107, other than the requirement to disclose DPS, should be retained in the RDR.

Text in AASB 101 ***Presentation of Financial Statements***	**Text in *IFRS for SMEs*** **Section 3 *Financial Statement Presentation*, Section 4 *Statement of Financial Position*, Section 5 *Statement of Comprehensive Income and Income Statement*, Section 6 *Statement of Changes in Equity and Statement of Income and Retained Earnings*, and Section 8 *Notes to the Financial Statements***	**Comment**
and **(iii) transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.** 107 **An entity shall present, either in the statement of changes in equity or in the notes, the amount of dividends recognised as distributions to owners during the period, and the related amount per share.**	(iii) the amounts of investments by, and dividends and other distributions to, owners, showing separately issues of shares, treasury share transactions, dividends and other distributions to owners, and changes in ownership interests in subsidiaries that do not result in a loss of control.	
108 In paragraph 106, the components of equity include, for example, each class of contributed equity, the accumulated balance of each class of other comprehensive income and retained earnings.		Paragraph 108 is guidance relating to a disclosure retained in the RDR and, based on the reasoning in paragraph IN7 of this Appendix, should be retained in the RDR.

Text in AASB 101 *Presentation of Financial Statements*	**Text in** ***IFRS for SMEs*** **Section 3** ***Financial Statement Presentation*****, Section 4** ***Statement of Financial Position*****, Section 5** ***Statement of Comprehensive Income and Income Statement*****, Section 6** ***Statement of Changes in Equity and Statement of Income and Retained Earnings*****, and Section 8** ***Notes to the Financial Statements***	**Comment**
109 Changes in an entity's equity between the beginning and the end of the reporting period reflect the increase or decrease in its net assets during the period. Except for changes resulting from transactions with owners in their capacity as owners (such as equity contributions, reacquisitions of the entity's own equity instruments and dividends) and transaction costs directly related to such transactions, the overall change in equity during a period represents the total amount of income and expense, including gains and losses, generated by the entity's activities during that period.		Paragraph 109 is guidance relating to a disclosure retained in the RDR and, based on the reasoning in paragraph IN7 of this Appendix, should be retained in the RDR.
110 AASB 108 requires retrospective adjustments to effect changes in accounting policies, to the extent practicable, except when the transition provisions in another Australian Accounting Standard require otherwise. AASB 108 also requires restatements to correct errors to be made retrospectively, to the extent practicable. Retrospective adjustments and retrospective restatements are not changes in equity but they are adjustments to the opening balance of retained earnings, except when an Australian Accounting Standard requires retrospective adjustment of another component of equity. Paragraph 106(b) requires disclosure in the statement of changes in equity of the total adjustment to each component of equity resulting, from changes in accounting policies and separately, from corrections of errors. These adjustments are disclosed for each prior period and the beginning of the period.		Paragraph 110 has no equivalent in the *IFRS for SMEs* and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.
112 The notes shall: **(a) present information about the basis of preparation of the financial statements and the specific accounting policies used in accordance**	8.2 The notes shall: (a) present information about the basis of preparation of the financial statements and the specific accounting policies used, in accordance with	Paragraph 112 and paragraph 8.2 of the *IFRS for SMEs* correspond. Paragraph 112 should be retained in the RDR.

Text in AASB 101 ***Presentation of Financial Statements***	**Text in *IFRS for SMEs*** **Section 3 *Financial Statement Presentation*, Section 4 *Statement of Financial Position*, Section 5 *Statement of Comprehensive Income and Income Statement*, Section 6 *Statement of Changes in Equity and Statement of Income and Retained Earnings*, and Section 8 *Notes to the Financial Statements***	**Comment**
with paragraphs 117 – 124; **(b) disclose the information required by Australian Accounting Standards that is not presented elsewhere in the financial statements; and** **(c) provide information that is not presented elsewhere in the financial statements, but is relevant to an understanding of any of them.**	paragraphs 8.5–8.7; (b) disclose the information required by this IFRS that is not presented elsewhere in the financial statements; and (c) provide information that is not presented elsewhere in the financial statements but is relevant to an understanding of any of them.	

Text in AASB 101 *Presentation of Financial Statements*	**Text in** ***IFRS for SMEs*** **Section 3** ***Financial Statement Presentation*****, Section 4** ***Statement of Financial Position*****, Section 5** ***Statement of Comprehensive Income and Income Statement*****, Section 6** ***Statement of Changes in Equity and Statement of Income and Retained Earnings*****, and Section 8** ***Notes to the Financial Statements***	**Comment**
117 An entity shall disclose in the summary of significant accounting policies: **(a) the measurement basis (or bases) used in preparing the financial statements; and** **(b) the other accounting policies used that are relevant to an understanding of the financial statements.**	8.5 An entity shall disclose the following in the summary of significant accounting policies: (a) the measurement basis (or bases) used in preparing the financial statements. (b) the other accounting policies used that are relevant to an understanding of the financial statements.	Paragraph 117 and paragraph 8.5 of the *IFRS for SMEs* correspond. Paragraph 117 should be retained in the RDR.
122 An entity shall disclose, in the summary of significant accounting policies or other notes, the judgements, apart from those involving estimations (see paragraph 125), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.	8.6 An entity shall disclose, in the summary of significant accounting policies or other notes, the judgements, apart from those involving estimations (see paragraph 8.7), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.	Paragraph 122 and paragraph 8.6 of the *IFRS for SMEs* correspond. Paragraph 122 should be retained in the RDR.
125 An entity shall disclose information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of: **(a) their nature; and** **(b) their carrying amount as at the end of the reporting period.**	8.7 An entity shall disclose in the notes information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of: (a) their nature. (b) their carrying amount as at the end of the reporting period.	Paragraph 125 and paragraph 8.7 of the *IFRS for SMEs* correspond. Paragraph 125 should be retained in the RDR.
126 Determining the carrying amounts of some assets and liabilities requires estimation of the effects of uncertain future events on those assets and liabilities at the end of the		Paragraph 126 is guidance relating to a disclosure retained in the RDR and, based on the reasoning in paragraph

	Text in AASB 101 *Presentation of Financial Statements*	**Text in *IFRS for SMEs* Section 3 *Financial Statement Presentation*, Section 4 *Statement of Financial Position*, Section 5 *Statement of Comprehensive Income and Income Statement*, Section 6 *Statement of Changes in Equity and Statement of Income and Retained Earnings*, and Section 8 *Notes to the Financial Statements***	**Comment**
	reporting period. For example, in the absence of recently observed market prices, future-oriented estimates are necessary to measure the recoverable amount of classes of property, plant and equipment, the effect of technological obsolescence on inventories, provisions subject to the future outcome of litigation in progress, and long-term employee benefit liabilities such as pension obligations. These estimates involve assumptions about such items as the risk adjustment to cash flows or discount rates, future changes in salaries and future changes in prices affecting other costs.		IN7 of this Appendix, should be retained in the RDR.
127	The assumptions and other sources of estimation uncertainty disclosed in accordance with paragraph 125 relate to the estimates that require management's most difficult, subjective or complex judgements. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgements become more subjective and complex, and the potential for a consequential material adjustment to the carrying amounts of assets and liabilities normally increases accordingly.		Paragraph 127 is guidance relating to a disclosure retained in the RDR and, based on the reasoning in paragraph IN7 of this Appendix, should be retained in the RDR.
128	The disclosures in paragraph 125 are not required for assets and liabilities with a significant risk that their carrying amounts might change materially within the next financial year if, at the end of the reporting period, they are measured at fair value based on recently observed market prices. Such fair values might change materially within the next financial year but these changes would not arise from assumptions or other sources of estimation uncertainty at the end of the reporting period.		Paragraph 128 is guidance relating to a disclosure retained in the RDR and, based on the reasoning in paragraph IN7 of this Appendix, should be retained in the RDR.

Text in AASB 101 *Presentation of Financial Statements*		Text in *IFRS for SMEs* Section 3 *Financial Statement Presentation*, Section 4 *Statement of Financial Position*, Section 5 *Statement of Comprehensive Income and Income Statement*, Section 6 *Statement of Changes in Equity and Statement of Income and Retained Earnings*, and Section 8 *Notes to the Financial Statements*	Comment
129	An entity presents the disclosures in paragraph 125 in a manner that helps users of financial statements to understand the judgements that management makes about the future and about other sources of estimation uncertainty. The nature and extent of the information provided vary according to the nature of the assumption and other circumstances. Examples of the types of disclosures an entity makes are: (a) the nature of the assumption or other estimation uncertainty; (b) the sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation, including the reasons for the sensitivity; (c) the expected resolution of an uncertainty and the range of reasonably possible outcomes within the next financial year in respect of the carrying amounts of the assets and liabilities affected; and (d) an explanation of changes made to past assumptions concerning those assets and liabilities, if the uncertainty remains unresolved		Paragraph 129 is guidance relating to a disclosure retained in the RDR and, based on the reasoning in paragraph IN7 of this Appendix, should be retained in the RDR.
130	This Standard does not require an entity to disclose budget information or forecasts in making the disclosures in paragraph 125.		Paragraph 130 is guidance relating to a disclosure retained in the RDR and, based on the reasoning in paragraph IN7 of this Appendix, should be retained in the RDR.
131	Sometimes it is impracticable to disclose the extent of the possible effects of an assumption or another source of estimation uncertainty at the end of the reporting period. In such cases, the entity discloses that it is reasonably possible, on the basis of existing knowledge, that outcomes within the		Paragraph 131 has no equivalent in the *IFRS for SMEs* and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the

Text in AASB 101 ***Presentation of Financial Statements***	**Text in *IFRS for SMEs*** **Section 3 *Financial Statement Presentation*, Section 4 *Statement of Financial Position*, Section 5 *Statement of Comprehensive Income and Income Statement*, Section 6 *Statement of Changes in Equity and Statement of Income and Retained Earnings*, and Section 8 *Notes to the Financial Statements***	**Comment**
next financial year that are different from the assumption could require a material adjustment to the carrying amount of the asset or liability affected. In all cases, the entity discloses the nature and carrying amount of the specific asset or liability (or class of assets or liabilities) affected by the assumption.		RDR.
132 The disclosures in paragraph 122 of particular judgements that management made in the process of applying the entity's accounting policies do not relate to the disclosures of sources of estimation uncertainty in paragraph 125.		Paragraph 132 is guidance relating to a disclosure retained in the RDR and, based on the reasoning in paragraph IN7 of this Appendix, should be retained in the RDR.

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134 An entity shall disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.		Paragraph 134 has no equivalent in the *IFRS for SMEs* and, based on the reasoning in paragraph IN3 of this Appendix-, should be excluded from the RDR.
135 To comply with paragraph 134, the entity discloses the following: (a) qualitative information about its objectives, policies and processes for managing capital, including: (i) a description of what it manages as capital; (ii) when an entity is subject to externally imposed capital requirements, the nature of those requirements and how those requirements are incorporated into the management of capital; and) (iii) how it is meeting its objectives for managing capital; (b) summary quantitative data about what it manages as capital. Some entities regard some financial liabilities (e.g. some forms of subordinated debt) as part of capital. Other entities regard capital as excluding some components of equity (e.g. components arising from cash flow hedges); (c) any changes in (a) and (b) from the previous period; (d) whether during the period it complied with any externally imposed capital requirements to which it is subject; and		Paragraph 135 has no equivalent in the *IFRS for SMEs* and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.

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(e) when the entity has not complied with such externally imposed capital requirements, the consequences of such non-compliance. The entity bases these disclosures on the information provided internally to key management personnel.		

Text in AASB 101 *Presentation of Financial Statements*	**Text in** ***IFRS for SMEs*** **Section 3** ***Financial Statement Presentation*****, Section 4** ***Statement of Financial Position*****, Section 5** ***Statement of Comprehensive Income and Income Statement*****, Section 6** ***Statement of Changes in Equity and Statement of Income and Retained Earnings*****, and Section 8** ***Notes to the Financial Statements***	**Comment**
136 An entity may manage capital in a number of ways and be subject to a number of different capital requirements. For example, a conglomerate may include entities that undertake insurance activities and banking activities and those entities may operate in several jurisdictions. When an aggregate disclosure of capital requirements and how capital is managed would not provide useful information or distorts a financial statement user's understanding of an entity's capital resources, the entity shall disclose separate information for each capital requirement to which the entity is subject.)		Paragraph 136 has no equivalent in the *IFRS for SMEs* and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.
136A For puttable financial instruments classified as equity instruments, an entity shall disclose (to the extent not disclosed elsewhere): **(a) summary quantitative data about the amount classified as equity;** **(b) its objectives, policies and processes for managing its obligation to repurchase or redeem the instruments when required to do so by the instrument holders, including any changes from the previous period;** **(c) the expected cash outflow on redemption or repurchase of that class of financial instruments; and** **(d) information about how the expected cash outflow on redemption or repurchase was determined.**		Paragraph 136A has no equivalent in the *IFRS for SMEs* and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.
137 An entity shall disclose in the notes: **(a) the amount of dividends proposed or declared**		Paragraph 137 has no equivalent in the *IFRS for SMEs* and, based on the reasoning in paragraph IN3 of this

Text in AASB 101 ***Presentation of Financial Statements***	**Text in *IFRS for SMEs*** **Section 3 *Financial Statement Presentation*, Section 4 *Statement of Financial Position*, Section 5 *Statement of Comprehensive Income and Income Statement*, Section 6 *Statement of Changes in Equity and Statement of Income and Retained Earnings*, and Section 8 *Notes to the Financial Statements***	**Comment**
before the financial statements were authorised for issue but not recognised as a distribution to owners during the period, and the related amount per share; and **(b) the amount of any cumulative preference dividends not recognised.**		Appendix, should be excluded from the RDR.
138 An entity shall disclose the following, if not disclosed elsewhere in information published with the financial statements: **(a) the domicile and legal form of the entity, its country of incorporation and the address of its registered office (or principal place of business, if different from the registered office);** **(b) a description of the nature of the entity's operations and its principal activities;** **(c) the name of the parent and the ultimate parent of the group; and** **(d) if it is a limited life entity, information regarding the length of its life.**	3.24 An entity shall disclose the following in the notes: (a) the domicile and legal form of the entity, its country of incorporation and the address of its registered office (or principal place of business, if different from the registered office). (b) a description of the nature of the entity's operations and its principal activities.	Paragraphs 138(a) and 18(b) and paragraph 3.24 of the *IFRS for SMEs* correspond. Paragraph 138(a) and 138(b) should be retained in the RDR. Paragraphs 138(c) and 138(d) have no equivalents in the *IFRS for SMEs* and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.
Aus138.1 An entity, other than a group, shall disclose the amounts paid or payable to: **(a) the auditor of the entity for an audit or a review of the financial statements of the entity;** **(b) the auditor of the entity for non-audit services in relation to the entity, disclosing separately the nature and amount of each of the non-**		Paragraph Aus138.1 disclosures do not appear to meet any of the particular needs of users of financial information identified in paragraph IN6 of this Appendix. Paragraph Aus138.1 should be excluded from the RDR.

Text in AASB 101 *Presentation of Financial Statements*	**Text in** ***IFRS for SMEs*** **Section 3** ***Financial Statement Presentation*****, Section 4** ***Statement of Financial Position*****, Section 5** ***Statement of Comprehensive Income and Income Statement*****, Section 6** ***Statement of Changes in Equity and Statement of Income and Retained Earnings*****, and Section 8** ***Notes to the Financial Statements***	**Comment**
audit services provided by the auditor; and **(c) a** ***related practice*** **of the auditor for non-audit services in relation to the entity, disclosing separately the nature and amount of each category of non-audit service.**		
Aus138.2 The following information shall be disclosed in relation to a group, the amounts paid or payable to: **(a) the auditor of the parent of the group, for an audit or a review of the financial statements of any entity in the group;** **(b) the auditor of the parent of the group, for non-audit services in relation to any entity in the group, disclosing separately the nature and amount of each of the non-audit services provided by the auditor;** **(c) a related practice of the auditor of the parent of the group, for non-audit services in relation to any entity in the group, disclosing separately the nature and amount of each of the non-audit services provided by the auditor;** **(d) the auditors of the subsidiaries in the group, other than those disclosed in accordance with paragraph Aus126.2(a), for an audit or a review of the financial statements of those subsidiaries;** **(e) the auditors of the subsidiaries in the group, other than those disclosed in accordance with**		Paragraph Aus138.2 disclosures do not appear to meet any of the particular needs of users of financial information identified in paragraph IN6 of this Appendix. Paragraph Aus138.2 should be excluded from the RDR.

Text in AASB 101 *Presentation of Financial Statements*		Text in *IFRS for SMEs* Section 3 *Financial Statement Presentation*, Section 4 *Statement of Financial Position*, Section 5 *Statement of Comprehensive Income and Income Statement*, Section 6 *Statement of Changes in Equity and Statement of Income and Retained Earnings*, and Section 8 *Notes to the Financial Statements*	Comment
	paragraphs Aus126.2(b) and (c), for non-audit services in relation to any entity in the group, disclosing separately the nature and amount of each of the non-audit services provided by the auditor; and **(f) a related practice of the auditors of the subsidiaries in the group, other than those disclosed in accordance with paragraphs Aus126.2(b) and (c), for non-audit services in relation to any entity in the group, disclosing separately the nature and amount of each of the non-audit services provided by the auditor.**		
Aus138.3	**An entity shall disclose 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:** **(a) 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; and** **(b) the amount, in aggregate and per share, of those dividends that have not been or will not be franked.**		Paragraph Aus138.3 disclosures do not appear to meet any of the particular needs of users of financial information identified in paragraph IN6 of this Appendix. Paragraph Aus138.3 should be excluded from the RDR.
Aus138.4	**An entity shall disclose the amount of franking credits available for subsequent reporting periods to the equity holders in the entity if it is not a group or the parent in a group, by disclosing the balance of the**		Paragraph Aus138.4 disclosures do not appear to meet any of the particular needs of users of financial information identified in paragraph IN6 of this

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	franking account as at the reporting date, adjusted for: **(a) franking credits that will arise from the payment of the amount of the provision for income tax;** **(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and** **(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.**		Appendix. Paragraph Aus138.4 should be excluded from the RDR.
Aus138.5	**An entity shall disclose the impact on the franking account of dividends proposed or declared before the financial statements were authorised for issue but not recognised as a distribution to equity holders during the period.**		Paragraph Aus138.5 disclosures do not appear to meet any of the particular needs of users of financial information identified in paragraph IN6 of this Appendix. Paragraph Aus138.5 should be excluded from the RDR.

Text in AASB 101 *Presentation of Financial Statements*	**Text in** ***IFRS for SMEs*** **Section 3** ***Financial Statement Presentation*****, Section 4** ***Statement of Financial Position*****, Section 5** ***Statement of Comprehensive Income and Income Statement*****, Section 6** ***Statement of Changes in Equity and Statement of Income and Retained Earnings*****, and Section 8** ***Notes to the Financial Statements***	**Comment**
Aus138.6 An entity shall disclose the nature and amount of each individual and each class of capital commitments and of other expenditure commitments contracted for as at the reporting date, other than commitments for the supply of inventories, which have not been recognised as liabilities. The disclosures shall be made in the following time bands, according to the time that is expected to elapse from the reporting date to their expected date of settlement: **(a) within twelve months;** **(b) twelve months or longer and not longer than five years; and** **(c) longer than five years.**		Paragraph Aus138.6 disclosures do not appear to meet any of the particular needs of users of financial information identified in paragraph IN6 of this Appendix. Paragraph Aus138.6 should be excluded from the RDR.
	3.25 This IFRS does not address presentation of segment information, earnings per share, or interim financial reports by a small or medium-sized entity. An entity making such disclosures shall describe the basis for preparing and presenting the information.	Paragraph 3.25 of the *IFRS for SMEs* should not be added to the RDR requirements because Tier 2 entities: • presenting interim financial statements would apply AASB 134 *Interim Financial Reporting.* • presenting segment information would apply AASB 8 *Operating Segments.* • presenting earnings per share would apply AASB 133 *Earnings per Share.*

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	4.14 If, at the reporting date, an entity has a binding sale agreement for a major disposal of assets, or a group of assets and liabilities, the entity shall disclose the following information: (a) a description of the asset(s) or the group of assets and liabilities. (b) a description of the facts and circumstances of the sale or plan. (c) the carrying amount of the assets or, if the disposal involves a group of assets and liabilities, the carrying amounts of those assets and liabilities.	Paragraph 4.14 of the *IFRS for SMEs* should not be included in the RDR because an entity presenting information about assets under disposal would apply AASB 5 *Non-current Assets Held for Sale and Discontinued Operations.*

3. AASB 101 *Presentation of Financial Statements*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 101 *Presentation of Financial Statements* showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

Aus1.3 This Standard may be applied to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2009. If an entity adopts this Standard for an earlier period, it shall disclose that fact.

15 Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework. The application of IFRSs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.

RDR15.1 Financial statements shall present fairly the financial position, financial performance and cash flows of an entity applying the Reduced Disclosure Regime. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework. The application of the Reduced Disclosure Regime, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.

Aus15.1 The Corporations Act requires an entity's financial report to comply with Australian Accounting Standards and, if necessary to give a true and fair view, further information to be disclosed in the notes. Australian Accounting Standards encompass Tier 2 requirements.

Aus15.2 An entity shall disclose in the notes a statement whether the financial statements have been prepared in accordance with full IFRSs as adopted in Australia or the Reduced Disclosure Regime.

Aus15.4 An entity shall disclose in the notes that the financial statements are general purpose financial statements, or if applicable, special purpose financial statements.

16 An entity whose financial statements comply with IFRSs shall make an explicit and unreserved statement of such compliance in the notes. An entity shall not describe financial statements as complying with IFRSs unless they comply with all the requirements of IFRSs.

RDR16.1 An entity whose financial statements comply with RDR shall make an explicit and unreserved statement of such compliance in the notes. An entity shall not describe financial statements as complying with RDR unless they comply with all the requirements of the RDR.

Aus16.1 Where an entity applying the Reduced Disclosure Regime can make the explicit and unreserved statement of compliance in respect of only:

(a) the parent financial statements and notes; or

(b) the consolidated financial statements and notes;

the entity shall make the explicit and unreserved statement of compliance in accordance with paragraph 16 and clearly identify to which financial statements and notes it relates.

RDRAus16.1 Where an entity can make the explicit and unreserved statement of compliance in respect of only:

(a) the parent financial statements and notes; or

(b) the consolidated financial statements and notes;

the entity shall make the explicit and unreserved statement of compliance in accordance with paragraph RDR16.1 and clearly identify to which financial statements and notes it relates.

23 In the extremely rare circumstances in which management concludes that compliance with a requirement in an Australian Accounting Standard would be so misleading that it would conflict with the objective of financial statements set out in the Framework, but the relevant regulatory framework prohibits departure from the requirement, the entity shall, to the maximum extent possible, reduce the perceived misleading aspects of compliance by disclosing:

(a) the title of the Australian Accounting Standard in question, the nature of the requirement, and the reason why management has concluded that complying with that requirement is so misleading in the circumstances that it conflicts with the objective of financial statements set out in the Framework; and

(b) for each period presented, the adjustments to each item in the financial statements that management has concluded would be necessary to achieve a fair presentation.

24 For the purpose of paragraphs 19 – 23, an item of information would conflict with the objective of financial statements when it does not represent faithfully the transactions, other events and conditions that it either purports to represent or could reasonably be expected to represent and, consequently, it would be likely to influence economic decisions made by users of financial statements. When assessing whether complying with a specific requirement in an Australian Accounting Standard would be so misleading that it would conflict with the objective of financial statements set out in the Framework, management considers:

(a) why the objective of financial statements is not achieved in the particular circumstances; and

(b) how the entity's circumstances differ from those of other entities that comply with the requirement. If other entities in similar circumstances comply with the requirement, there is a rebuttable presumption that the entity's compliance with the requirement would not be so misleading that it would conflict with the objective of financial statements set out in the Framework.

25 When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. An entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose those uncertainties. When an

entity does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern.

36 An entity shall present a complete set of financial statements (including comparative information) at least annually. When an entity changes the end of its reporting period and presents financial statements for a period longer or shorter than one year, an entity shall disclose, in addition to the period covered by the financial statements:

(a) the reason for using a longer or shorter period; and

(b) the fact that amounts presented in the financial statements are not entirely comparable.

38 Except when Australian Accounting Standards permit or require otherwise, an entity shall disclose comparative information in respect of the previous period for all amounts reported in the current period's financial statements. An entity shall include comparative information for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.

41 When the entity changes the presentation or classification of items in its financial statements, the entity shall reclassify comparative amounts unless reclassification is impracticable. When the entity reclassifies comparative amounts, the entity shall disclose:

(a) the nature of the reclassification;

(b) the amount of each item or class of items that is reclassified; and

(c) the reason for the reclassification.

42 When it is impracticable to reclassify comparative amounts, an entity shall disclose:

(a) the reason for not reclassifying the amounts; and

(b) the nature of the adjustments that would have been made if the amounts had been reclassified.

61 Whichever method of presentation is adopted, an entity shall disclose the amount expected to be recovered or settled after more than twelve months for each asset and liability line item that combines amounts expected to be recovered or settled:

(a) no more than twelve months after the reporting period, and

(b) more than twelve months after the reporting period.

77 An entity shall disclose, either in the statement of financial position or in the notes, further subclassifications of the line items presented, classified in a manner appropriate to the entity's operations.

78 The detail provided in subclassifications depends on the requirements of Australian Accounting Standards and on the size, nature and function of the amounts involved. An entity also uses the factors set out in paragraph 58 to decide the basis of subclassification. The disclosures vary for each item, for example:

(a) items of property, plant and equipment are disaggregated into classes in accordance with AASB 116;

(b) receivables are disaggregated into amounts receivable from trade customers, receivables from related parties, prepayments and other amounts;

(c) inventories are disaggregated, in accordance with AASB 102 Inventories, into classifications such as merchandise, production supplies, materials, work in progress and finished goods;

(d) provisions are disaggregated into provisions for employee benefits and other items; and

(e) equity capital and reserves are disaggregated into various classes, such as paid-in capital, share premium and reserves.

79 An entity shall disclose the following, either in the statement of financial position or the statement of changes in equity, or in the notes:

(a) for each class of share capital:

(i) the number of shares authorised;

(ii) the number of shares issued and fully paid, and issued but not fully paid;

(iii) par value per share, or that the shares have no par value;

(iv) a reconciliation of the number of shares outstanding at the beginning and at the end of the period;

(v) the rights, preferences and restrictions attaching to that class including restrictions on the distribution of dividends and the repayment of capital;

(vi) shares in the entity held by the entity or by its subsidiaries or associates; and

(vii) shares reserved for issue under options and contracts for the sale of shares, including terms and amounts; and

(b) a description of the nature and purpose of each reserve within equity.

80 An entity without share capital, such as a partnership or trust, shall disclose information equivalent to that required by paragraph 79(a), showing changes during the period in each category of equity interest, and the rights, preferences and restrictions attaching to each category of equity interest.

80A If an entity has reclassified:

(a) a puttable financial instrument classified as an equity instrument; or

(b) an instrument that imposes on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation and is classified as an equity instrument; between financial liabilities and equity, it shall disclose the amount reclassified into and out of each category (financial liabilities or equity), and the timing and reason for that reclassification.

82 **As a minimum, the statement of comprehensive income shall include line items that present the following amounts for the period:**

(a) revenue;

(b) finance costs;

(c) share of the profit or loss of associates and joint ventures accounted for using the equity method;

(d) tax expense;

(e) a single amount comprising the total of:

(i) the post-tax profit or loss of discontinued operations; and

(ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation;

(f) profit or loss;

(g) each component of other comprehensive income classified by nature (excluding amounts in (h));

(h) share of the other comprehensive income of associates and joint ventures accounted for using the equity method; and

(i) total comprehensive income.

83 An entity shall disclose the following items in the statement of comprehensive income as allocations for the period:

(a) profit or loss for the period attributable to:

(i) non-controlling interests; and

(ii) owners of the parent; and

(b) total comprehensive income for the period attributable to:

(i) non-controlling interests; and

(ii) owners of the parent.

85 An entity shall present additional line items, headings and subtotals in the statement of comprehensive income and the separate income statement (if presented), when such presentation is relevant to an understanding of the entity's financial performance.

90 An entity shall disclose the amount of income tax relating to each component of other comprehensive income, including reclassification adjustments, either in the statement of comprehensive income or in the notes.

92 An entity shall disclose reclassification adjustments relating to components of other comprehensive income.

97 When items of income or expense are material, an entity shall disclose their nature and amount separately.

98 Circumstances that would give rise to the separate disclosure of items of income and expense include:

(a) write-downs of inventories to net realisable value or of property, plant and equipment to recoverable amount, as well as reversals of such write-downs;

(b) restructurings of the activities of an entity and reversals of any provisions for the costs of restructuring;

(c) disposals of items of property, plant and equipment;

(d) disposals of investments;

(e) discontinued operations;

(f) litigation settlements; and

(g) other reversals of provisions.

99 An entity shall present an analysis of expenses recognised in profit or loss using a classification based on either their nature or their function within the entity, whichever provides information that is reliable and more relevant.

100 Entities are encouraged to present the analysis in paragraph 99 in the statement of comprehensive income or in the separate income statement (if presented).

102 The first form of analysis is the 'nature of expense' method. An entity aggregates expenses within profit or loss according to their nature (for example, depreciation, purchases of materials, transport costs, employee benefits and advertising costs), and does not reallocate them among functions within the entity. This method may be simple to apply because no allocations of expenses to functional classifications are necessary. An example of a classification using the nature of expense method is as follows:

Revenue		X
Other income		X
Changes in inventories of finished goods and work in progress	X	
Raw materials and consumables used	X	
Employee benefits expense	X	
Depreciation and amortisation expense	X	
Other expenses	X	
Total expenses		(X)
Profit before tax		X

103 The second form of analysis is the 'function of expense' or 'cost of sales' method and classifies expenses according to their function as part of cost of sales or, for example, the costs of distribution or administrative activities. At a minimum, an entity discloses its cost of sales under this method separately from other expenses. This method can provide more relevant information to users than the classification of expenses by nature, but allocating costs to functions may require arbitrary allocations and involve considerable judgement. An example of a classification using the function of expense method is as follows:

Revenue	X
Cost of sales	(X)
Gross profit	X
Other income	X
Distribution costs	(X)

Administrative expenses	(X)
Other expenses	(X)
Profit before tax	X

104 An entity classifying expenses by function shall disclose additional information on the nature of expenses, including depreciation and amortisation expense and employee benefits expense.

105 The choice between the function of expense method and the nature of expense method depends on historical and industry factors and the nature of the entity. Both methods provide an indication of those costs that might vary, directly or indirectly, with the level of sales or production of the entity. Because each method of presentation has merit for different types of entities, this Standard requires management to select the presentation that is reliable and more relevant. However, because information on the nature of expenses is useful in predicting future cash flows, additional disclosure is required when the function of expense classification is used. In paragraph 104, 'employee benefits' has the same meaning as in AASB 119.

106 An entity shall present a statement of changes in equity showing in the statement:

(a) total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests;

(b) for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with AASB 108; and

(c) [deleted by the IASB]

(d) for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:

(i) profit or loss;

(ii) each item of other comprehensive income; and

(iii) transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.

107 An entity shall present, either in the statement of changes in equity or in the notes, the amount of dividends recognised as distributions to owners during the period, and the related amount per share.

108 In paragraph 106, the components of equity include, for example, each class of contributed equity, the accumulated balance of each class of other comprehensive income and retained earnings.

110 AASB 108 requires retrospective adjustments to effect changes in accounting policies, to the extent practicable, except when the transition provisions in another Australian Accounting Standard require otherwise. AASB 108 also requires restatements to correct errors to be made retrospectively, to the extent practicable.

Retrospective adjustments and retrospective restatements are not changes in equity but they are adjustments to the opening balance of retained earnings, except when an Australian Accounting Standard requires retrospective adjustment of another component of equity. Paragraph 106(b) requires disclosure in the statement of changes in equity of the total adjustment to each component of equity resulting, from changes in accounting policies and separately, from corrections of errors. These adjustments are disclosed for each prior period and the beginning of the period.

112 The notes shall:

(a) present information about the basis of preparation of the financial statements and the specific accounting policies used in accordance with paragraphs 117 – 124;

(b) disclose the information required by Australian Accounting Standards that is not presented elsewhere in the financial statements; and

(c) provide information that is not presented elsewhere in the financial statements, but is relevant to an understanding of any of them.

117 An entity shall disclose in the summary of significant accounting policies:

(a) the measurement basis (or bases) used in preparing the financial statements; and

(b) the other accounting policies used that are relevant to an understanding of the financial statements.

122 An entity shall disclose, in the summary of significant accounting policies or other notes, the judgements, apart from those involving estimations (see paragraph 125), that management has made in the process of applying the entity’s accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

125 An entity shall disclose information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of:

(a) their nature; and

(b) their carrying amount as at the end of the reporting period.

126 Determining the carrying amounts of some assets and liabilities requires estimation of the effects of uncertain future events on those assets and liabilities at the end of the reporting period. For example, in the absence of recently observed market prices, future-oriented estimates are necessary to measure the recoverable amount of classes of property, plant and equipment, the effect of technological obsolescence on inventories, provisions subject to the future outcome of litigation in progress, and long-term employee benefit liabilities such as pension obligations. These estimates involve assumptions about such items as the risk adjustment to cash flows or discount rates, future changes in salaries and future changes in prices affecting other costs.

127 The assumptions and other sources of estimation uncertainty disclosed in accordance with paragraph 125 relate to the estimates that require management's most difficult, subjective or complex judgements. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgements become more subjective and complex, and the potential for a consequential material adjustment to the carrying amounts of assets and liabilities normally increases accordingly.

128 The disclosures in paragraph 125 are not required for assets and liabilities with a significant risk that their carrying amounts might change materially within the next financial year if, at the end of the reporting period, they are measured at fair value based on recently observed market prices. Such fair values might change materially within the next financial year but these changes would not arise from assumptions or other sources of estimation uncertainty at the end of the reporting period.

129 An entity presents the disclosures in paragraph 125 in a manner that helps users of financial statements to understand the judgements that management makes about the future and about other sources of estimation uncertainty. The nature and extent of the information provided vary according to the nature of the assumption and other circumstances. Examples of the types of disclosures an entity makes are:

(a) the nature of the assumption or other estimation uncertainty;

(b) the sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation, including the reasons for the sensitivity;

(c) the expected resolution of an uncertainty and the range of reasonably possible outcomes within the next financial year in respect of the carrying amounts of the assets and liabilities affected; and

(d) an explanation of changes made to past assumptions concerning those assets and liabilities, if the uncertainty remains unresolved

130 This Standard does not require an entity to disclose budget information or forecasts in making the disclosures in paragraph 125.

131 Sometimes it is impracticable to disclose the extent of the possible effects of an assumption or another source of estimation uncertainty at the end of the reporting period. In such cases, the entity discloses that it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumption could require a material adjustment to the carrying amount of the asset or liability affected. In all cases, the entity discloses the nature and carrying amount of the specific asset or liability (or class of assets or liabilities) affected by the assumption.

132 The disclosures in paragraph 122 of particular judgements that management made in the process of applying the entity's accounting policies do not relate to the disclosures of sources of estimation uncertainty in paragraph 125.

134 An entity shall disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.

135 To comply with paragraph 134, the entity discloses the following:

(a) qualitative information about its objectives, policies and processes for managing capital, including:

(i) a description of what it manages as capital;

(ii) when an entity is subject to externally imposed capital requirements, the nature of those requirements and how those requirements are incorporated into the management of capital; and

(iii) how it is meeting its objectives for managing capital;

(b) summary quantitative data about what it manages as capital. Some entities regard some financial liabilities (e.g. some forms of subordinated debt) as part of capital. Other entities regard capital as excluding some components of equity (e.g. components arising from cash flow hedges);

(c) any changes in (a) and (b) from the previous period;

(d) whether during the period it complied with any externally imposed capital requirements to which it is subject; and

(e) when the entity has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

The entity bases these disclosures on the information provided internally to key management personnel.

136 An entity may manage capital in a number of ways and be subject to a number of different capital requirements. For example, a conglomerate may include entities that undertake insurance activities and banking activities and those entities may operate in several jurisdictions. When an aggregate disclosure of capital requirements and how capital is managed would not provide useful information or distorts a financial statement user's understanding of an entity's capital resources, the entity shall disclose separate information for each capital requirement to which the entity is subject.

136A For puttable financial instruments classified as equity instruments, an entity shall disclose (to the extent not disclosed elsewhere):

(a) summary quantitative data about the amount classified as equity;
(b) its objectives, policies and processes for managing its obligation to repurchase or redeem the instruments when required to do so by the instrument holders, including any changes from the previous period;
(c) the expected cash outflow on redemption or repurchase of that class of financial instruments; and
(d) information about how the expected cash outflow on redemption or repurchase was determined.

137 An entity shall disclose in the notes:

(a) the amount of dividends proposed or declared before the financial statements were authorised for issue but not recognised as a distribution to owners during the period, and the related amount per share; and
(b) the amount of any cumulative preference dividends not recognised.

138 An entity shall disclose the following, if not disclosed elsewhere in information published with the financial statements:

(a) the domicile and legal form of the entity, its country of incorporation and the address of its registered office (or principal place of business, if different from the registered office);
(b) a description of the nature of the entity's operations and its principal activities;
(c) the name of the parent and the ultimate parent of the group; and
(d) if it is a limited life entity, information regarding the length of its life.

Aus138.1 An entity, other than a group, shall disclose the amounts paid or payable to:
(a) the auditor of the entity for an audit or a review of the financial statements of the entity;
(b) the auditor of the entity for non-audit services in relation to the entity, disclosing separately the nature and amount of each of the non-audit services provided by the auditor; and
(c) a related practice of the auditor for non-audit services in relation to the entity, disclosing separately the nature and amount of each category of non-audit service.

Aus138.2 The following information shall be disclosed in relation to a group, the amounts paid or payable to:
(a) the auditor of the parent of the group, for an audit or a review of the financial statements of any entity in the group;
(b) the auditor of the parent of the group, for non-audit services in relation to any entity in the group, disclosing separately the nature and amount of each of the non-audit services provided by the auditor;
(c) a related practice of the auditor of the parent of the group, for non-audit services in relation to any entity in the group, disclosing separately the nature and amount of each of the non-audit services provided by the auditor;
(d) the auditors of the subsidiaries in the group, other than those disclosed in accordance with paragraph Aus138.2(a), for an audit or a review of the financial statements of those subsidiaries;
(e) the auditors of the subsidiaries in the group, other than those disclosed in accordance with paragraphs Aus138.2(b) and (c), for non-audit services in relation to any entity in the group, disclosing separately the nature and amount of each of the non-audit services provided by the auditor; and
(f) a related practice of the auditors of the subsidiaries in the group, other than those disclosed in accordance with paragraphs Aus138.2(b) and (c), for non-audit services in relation to any entity in the group, disclosing separately the nature and amount of each of the non-audit services provided by the auditor.

Aus138.3 An entity shall disclose 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:
(a) 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; and
(b) the amount, in aggregate and per share, of those dividends that have not been or will not be franked.

Aus138.4 An entity shall disclose the amount of franking credits available for subsequent reporting periods to the equity holders in the entity if it is not a group or the parent in a group, by disclosing the balance of the franking account as at the reporting date, adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax;
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

Aus138.5 An entity shall disclose the impact on the franking account of dividends proposed or declared before the financial statements were authorised for issue but not recognised as a distribution to equity holders during the period.

Aus138.6 An entity shall disclose the nature and amount of each individual and each class of capital commitments and of other expenditure commitments contracted for as at the reporting date, other than commitments for the supply of inventories, which have not been recognised as liabilities. The disclosures shall be made in the following time bands, according to the time that is expected to elapse from the reporting date to their expected date of settlement:

(a) within twelve months;
(b) twelve months or longer and not longer than five years; and
(c) longer than five years.