

AASB 1052 Disaggregated Disclosures vs. IFRS for SMEs

1. Executive Summary

Main differences in recognition, measurement or presentation requirements

AASB 1052 is a disclosure only Standard and therefore differences in recognition, measurement or presentation requirements do not arise.

Differences in disclosure requirements

There is no section in the *IFRS for SMEs* that corresponds to AASB 1052. Therefore, all the requirements of AASB 1052 differ from the requirements in the *IFRS for SMEs*.

AASB 1052 only applies to local governments (paragraphs 11-14) and government departments (paragraphs 15-21). Local governments would not have the option of adopting the Reduced Disclosure Regime (RDR).

It is not the purpose of this project to fundamentally review the requirements of AASB 1052. It is a topic that will be addressed as part of the Board's separate Disaggregated Disclosures project, which is currently listed on the Board's Work Program as a non-active project that is subject to resources.

Disclosure proposals

It is proposed to exclude all disclosure requirements from the RDR.

This proposal has regard to:

- (a) the fact that the *IFRS for SMEs* does not include disclosures equivalent to AASB 8 *Operating Segments*; and
- (b) the expectation that the major activities that might be identified by a government department under AASB 1052 would not necessarily align with the disaggregated disclosures being made in the consolidated financial statements at the general government sector (GGS) or whole of government (WoG) levels. Therefore, the benefits of providing the information would not be expected to exceed the costs.

2. Analysis of disclosure requirements

Text in AASB 1052 <i>Disaggregated Disclosures</i>		Comment
<p>11 The complete set of financial statements of a local government shall disclose in respect of each broad function or activity:</p> <p> (a) by way of note:</p> <p> (i) the nature and objectives of that function/activity; and</p> <p> (ii) the carrying amount of assets that are reliably attributable to that function/activity; and</p> <p> (b) by way of note or otherwise:</p> <p> (i) income for the reporting period that is reliably attributable to that function/activity, with component revenues from related grants disclosed separately as a component thereof; and</p> <p> (ii) expenses for the reporting period that are reliably attributable to that function/activity.</p>	<p>Paragraphs 11 to 14 should be excluded as they only apply to local governments, which are Tier 1 reporting entities that would be subject to those paragraphs.</p>	
<p>12 The information provided by way of note in accordance with paragraph 11 shall be aggregated and reconciled to agree with the related information in the financial statements of the local government.</p>		
<p>13 This Standard requires disclosure of information about the assets, income and expenses of the local government according to the broad functions or activities of the local government, whether they be related to service delivery or undertaken for commercial objectives. Disclosure of this information assists users in identifying the resources committed to particular functions/activities of the local government, the costs of service delivery that are reliably attributable to those functions/activities, and the extent to which the local government has recovered those costs from income that is reliably attributable to those functions/activities. Function/activity classification of financial information will also assist users in assessing the significance of any financial or non-financial performance indicators reported by the local government.</p>		
<p>14 AASB 114 <i>Segment Reporting</i> and AASB 8 <i>Operating Segments</i> are not applicable to local governments. The bases considered appropriate for identifying broad functions or activities of local governments would not necessarily accord with the criteria for identification of segments contained in those Standards. However, preparers of the complete set of financial statements may find that the guidance contained in those Standards is useful in identifying the income, expenses and assets that are</p>		

Text in AASB 1052 <i>Disaggregated Disclosures</i>	Comment
reliably attributable to the broad functions or activities of the local government.	
<p>15 The complete set of financial statements of a government department shall disclose:</p> <ul style="list-style-type: none"> (a) in summarised form, the identity and purpose of each major activity undertaken by the government department during the reporting period; (b) if not otherwise disclosed in, or in conjunction with, the government department’s complete set of financial statements, a summary of the government department’s objectives; (c) expenses reliably attributable to each of the activities identified in (a) above, showing separately each major class of expenses; and (d) income reliably attributable to each of the activities identified in (a) above, showing separately user charges, income from government and other income by major class of income. 	<p>Paragraphs 15 to 21 should be excluded, in view of the fact that the <i>IFRS for SMEs</i> does not include disclosures equivalent to AASB 8 <i>Operating Segments</i>, and consistent with paragraph IN6A and the reasoning in paragraph IN3 of this Appendix.</p>
<p>16 The complete set of financial statements of a government department shall also disclose the assets deployed and liabilities incurred that are reliably attributable to each of the activities identified in paragraph 15(a).</p>	
<p>17 Government departments are required to achieve service delivery as well as financial objectives. Accordingly, a government department’s performance is assessed by reference to the effectiveness, economy and efficiency with which the government department achieves its service delivery and financial objectives. Financial information is therefore only a subset of the information necessary to enable an adequate assessment of a government department’s performance. Accordingly, the complete set of financial statements is presented as part of an annual report that discloses information about such matters as the government department’s objectives and service delivery achievements during the reporting period. To enhance the quality of information available for assessing performance, paragraph 15 requires that a summary of the government department’s objectives be disclosed in the complete set of financial statements where the government department’s annual report does not include this disclosure.</p>	
<p>18 Paragraphs 15 and 16 require disclosure of information about the expenses, income, assets and liabilities attributable to the major activities of a government department for the reporting period. This information is relevant in assessing the effectiveness, efficiency and economy of operations and of resource allocation decisions. It is also necessary for reviewing existing expenditure commitments and service</p>	

Text in AASB 1052 <i>Disaggregated Disclosures</i>	Comment
<p>delivery arrangements, and for considering the long-term funding implications of new initiatives.</p> <p>19 However, in some instances it may not be possible to reliably attribute all expenses, income, assets and liabilities to each of the major activities of a government department. Paragraphs 15 and 16 require that the complete set of financial statements of a government department only disclose, on an activity by activity basis, information about the expenses, income, assets and liabilities that can be reliably attributed to major activities.</p> <p>20 Judgement is required to identify those activities of a government department that warrant separate disclosure in the complete set of financial statements. Exercising this judgement involves a consideration of the following:</p> <ul style="list-style-type: none"> (a) the objectives of the government department; (b) the likely users of the general purpose financial statements; (c) the activity level that may be relevant to users' assessments of the performance of the government department; and (d) the concept of materiality as set out in the <i>Framework for the Preparation and Presentation of Financial Statements</i> and AASB 1031. <p>21 AASB 1050 also contains requirements relating to the disclosure of administered income and expenses attributable to a government department's activities. The principles in this Standard are used in satisfying the requirements in AASB 1050.</p>	

3. AASB 1052 *Disaggregated Disclosure*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 1052 *Disaggregated Disclosures*, showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

- 11 The complete set of financial statements of a local government shall disclose in respect of each broad function or activity:**
- (a) by way of note:**
 - (i) the nature and objectives of that function/activity; and**
 - (ii) the carrying amount of assets that are reliably attributable to that function/activity; and**
 - (b) by way of note or otherwise:**
 - (i) income for the reporting period that is reliably attributable to that function/activity, with component revenues from related grants disclosed separately as a component thereof; and**
 - (ii) expenses for the reporting period that are reliably attributable to that function/activity.**
- 12 The information provided by way of note in accordance with paragraph 11 shall be aggregated and reconciled to agree with the related information in the financial statements of the local government.**
- 13 This Standard requires disclosure of information about the assets, income and expenses of the local government according to the broad functions or activities of the local government, whether they be related to service delivery or undertaken for commercial objectives. Disclosure of this information assists users in identifying the resources committed to particular functions/activities of the local government, the costs of service delivery that are reliably attributable to those functions/activities, and the extent to which the local government has recovered those costs from income that is reliably attributable to those functions/activities. Function/activity classification of financial information will also assist users in assessing the significance of any financial or non-financial performance indicators reported by the local government.
- 14 AASB 114 *Segment Reporting* and AASB 8 *Operating Segments* are not applicable to local governments. The bases considered appropriate for identifying broad functions or activities of local governments would not necessarily accord with the criteria for identification of segments contained in those Standards. However, preparers of the complete set of financial statements may find that the guidance contained in those Standards is useful in identifying the income, expenses and assets that are reliably attributable to the broad functions or activities of the local government.
- 15 The complete set of financial statements of a government department shall disclose:**
- (a) in summarised form, the identity and purpose of each major activity undertaken by the government department during the reporting period;**
 - (b) if not otherwise disclosed in, or in conjunction with, the government department's complete set of financial statements, a summary of the government department's objectives;**

- (c) expenses reliably attributable to each of the activities identified in (a) above, showing separately each major class of expenses; and
- (d) income reliably attributable to each of the activities identified in (a) above, showing separately user charges, income from government and other income by major class of income.

- 16 The complete set of financial statements of a government department shall also disclose the assets deployed and liabilities incurred that are reliably attributable to each of the activities identified in paragraph 15(a).**
- 17 Government departments are required to achieve service delivery as well as financial objectives. Accordingly, a government department's performance is assessed by reference to the effectiveness, economy and efficiency with which the government department achieves its service delivery and financial objectives. Financial information is therefore only a subset of the information necessary to enable an adequate assessment of a government department's performance. Accordingly, the complete set of financial statements is presented as part of an annual report that discloses information about such matters as the government department's objectives and service delivery achievements during the reporting period. To enhance the quality of information available for assessing performance, paragraph 15 requires that a summary of the government department's objectives be disclosed in the complete set of financial statements where the government department's annual report does not include this disclosure.
- 18 Paragraphs 15 and 16 require disclosure of information about the expenses, income, assets and liabilities attributable to the major activities of a government department for the reporting period. This information is relevant in assessing the effectiveness, efficiency and economy of operations and of resource allocation decisions. It is also necessary for reviewing existing expenditure commitments and service delivery arrangements, and for considering the long-term funding implications of new initiatives.
- 19 However, in some instances it may not be possible to reliably attribute all expenses, income, assets and liabilities to each of the major activities of a government department. Paragraphs 15 and 16 require that the complete set of financial statements of a government department only disclose, on an activity by activity basis, information about the expenses, income, assets and liabilities that can be reliably attributed to major activities.

Identifying Major Activities of Government Departments

- 20 Judgement is required to identify those activities of a government department that warrant separate disclosure in the complete set of financial statements. Exercising this judgement involves a consideration of the following:
- (a) the objectives of the government department;
 - (b) the likely users of the general purpose financial statements;
 - (c) the activity level that may be relevant to users' assessments of the performance of the government department; and
 - (d) the concept of materiality as set out in the *Framework for the Preparation and Presentation of Financial Statements* and AASB 1031.

21 AASB 1050 also contains requirements relating to the disclosure of administered income and expenses attributable to a government department's activities. The principles in this Standard are used in satisfying the requirements in AASB 1050.