

# Application of Australian Accounting Standards



**Australian Government**

**Australian Accounting  
Standards Board**

## Obtaining a copy of this Accounting Standard

This Standard is available on the AASB website: [www.aasb.gov.au](http://www.aasb.gov.au).

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ISSN 1036-4803

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**BASIS FOR CONCLUSIONS**

Australian Accounting Standard AASB 1057 *Application of Australian Accounting Standards* is set out in paragraphs 1 – 27 and the Appendix. All the paragraphs have equal authority. Paragraphs in **bold type** state the main principles. Terms defined in the Appendix are in *italics* the first time they appear in the Standard. AASB 1057 is to be read in the context of other Australian Accounting Standards, including AASB 1048 *Interpretation of Standards*, which identifies the Australian Accounting Interpretations. In the absence of explicit guidance, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies.

## Preface

### Introduction

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The Australian Accounting Standards Board (AASB) is an Australian Government agency under the *Australian Securities and Investments Commission Act 2001*. The AASB develops, issues and maintains Australian Accounting Standards, including Interpretations. These are to be applied by:

- (a) entities required by the *Corporations Act 2001* to prepare financial reports;
- (b) governments in preparing financial statements for the whole of government and the General Government Sector (GGS); and/or
- (c) entities in the private or public for-profit or not-for-profit sectors that are reporting entities or that prepare general purpose financial statements.

AASB 1053 *Application of Tiers of Australian Accounting Standards* establishes a differential reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements:

- (a) Tier 1: Australian Accounting Standards; and
- (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

### What does this Standard require?

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This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. Accordingly, paragraphs 5 and 22 respectively specify the application paragraphs for Standards and Interpretations in general. Differing application paragraphs are set out for individual Standards and Interpretations or grouped where possible.

The application paragraphs do not affect requirements in other Standards that specify that certain paragraphs apply only to certain types of entities.

### When does it apply?

This Standard is applicable to annual periods beginning on or after 1 January 2016. Earlier application is permitted.

### Why have we issued this Standard?

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The AASB decided at its May 2015 meeting to revise Australian Accounting Standards that incorporate International Financial Reporting Standards (IFRSs), which are issued by the International Accounting Standards Board, to minimise Australian-specific wording even further. The AASB noted that IFRSs do not contain application paragraphs that identify the entities and financial reports to which the Standards (and Interpretations) apply. Therefore, the application paragraphs previously in each Australian Accounting Standard (or Interpretation) were moved to this Standard. In doing so, the application requirements have not been amended.

For consistency, the application paragraphs of Australian-specific Standards (and Interpretations) have also been included in this Standard, without amendment. When those pronouncements are amended for other reasons, their application paragraphs are expected to be removed.

## Accounting Standard AASB 1057

The Australian Accounting Standards Board makes Accounting Standard AASB 1057 *Application of Australian Accounting Standards* under section 334 of the *Corporations Act 2001*.

Dated 24 July 2015

Kris Peach  
Chair – AASB

## Accounting Standard AASB 1057 *Application of Australian Accounting Standards*

### Objective

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- 1 The objective of this Standard is to specify the types of entities and financial statements to which Australian Accounting Standards (including Interpretations) apply. Each reference to an Interpretation refers to that Interpretation as identified in AASB 1048 *Interpretation of Standards*.

### Application of this Standard

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- 2 This Standard applies to:
- (a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act;
  - (b) *general purpose financial statements of each reporting entity*;
  - (c) financial statements that are, or are held out to be, general purpose financial statements; and
  - (d) financial statements of General Government Sectors (GGSs) prepared in accordance with AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.
- 3 This Standard applies to annual periods beginning on or after 1 January 2016.
- 4 This Standard may be applied to annual periods beginning before 1 January 2016.

### Application of Australian Accounting Standards

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- 5 Unless specified otherwise in paragraphs 6–21, Australian Accounting Standards apply to:
- (a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;
  - (b) general purpose financial statements of each other reporting entity; and
  - (c) financial statements that are, or are held out to be, general purpose financial statements.
- 6 AASB 8 *Operating Segments* applies to:
- (a) each for-profit entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;
  - (b) general purpose financial statements of each other for-profit reporting entity other than for-profit government departments; and
  - (c) financial statements of a for-profit entity other than for-profit government departments that are, or are held out to be, general purpose financial statements;
- in respect of:
- (d) the separate or individual financial statements of an entity:

- (i) whose debt or equity instruments are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); or
    - (ii) that files, or is in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; and
  - (e) the consolidated financial statements of a group with a parent:
    - (i) whose debt or equity instruments are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); or
    - (ii) that files, or is in the process of filing, the consolidated financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market.
- 7 **AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows*, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, AASB 1048 *Interpretation of Standards* and AASB 1054 *Australian Additional Disclosures* apply to:**
- (a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act;
  - (b) general purpose financial statements of each reporting entity; and
  - (c) financial statements that are, or are held out to be, general purpose financial statements.
- 8 **AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* applies to:**
- (a) each for-profit entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;
  - (b) general purpose financial statements of each other for-profit reporting entity; and
  - (c) financial statements of a for-profit entity that are, or are held out to be, general purpose financial statements.
- 9 **AASB 133 *Earnings per Share* applies to each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is:**
- (a) a reporting entity whose ordinary shares or potential ordinary shares are publicly traded; or
  - (b) a reporting entity that is in the process of issuing ordinary shares or potential ordinary shares in public markets; or
  - (c) an entity that discloses earnings per share.
- 10 **AASB 134 *Interim Financial Reporting* applies to:**
- (a) each disclosing entity required to prepare half-year financial reports in accordance with Part 2M.3 of the Corporations Act;
  - (b) interim financial reports that are general purpose financial statements of each other reporting entity; and
  - (c) interim financial reports that are, or are held out to be, general purpose financial statements.
- 11 **AASB 1004 *Contributions* applies to:**
- (a) each not-for-profit entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;
  - (b) general purpose financial statements of each other not-for-profit entity that is a reporting entity;
  - (c) financial statements of not-for-profit entities that are, or are held out to be, general purpose financial statements; and
  - (d) financial statements of GGSs prepared in accordance with AASB 1049.
- 12 **AASB 1038 *Life Insurance Contracts* applies to:**
- (a) a life insurer; or
  - (b) the parent in a group that includes a life insurer;

when the entity:

- (c) is a reporting entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act;
  - (d) is an other reporting entity and prepares general purpose financial statements; or
  - (e) prepares financial statements that are, or are held out to be, general purpose financial statements.
- 13 AASB 1039 *Concise Financial Reports* applies to a concise financial report prepared by an entity in accordance with paragraph 314(2)(a) in Part 2M.3 of the Corporations Act.
- 14 AASB 1049 applies to each government's whole of government general purpose financial statements and GGS financial statements.
- 15 AASB 1050 *Administered Items* applies to general purpose financial statements of government departments.
- 16 AASB 1051 *Land Under Roads* applies to general purpose financial statements of local governments, government departments and whole of governments, and financial statements of GGSs.
- 17 AASB 1052 *Disaggregated Disclosures* applies to general purpose financial statements of local governments and government departments.
- 18 AASB 1053 *Application of Tiers of Australian Accounting Standards* applies to:
- (a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act;
  - (b) general purpose financial statements of each reporting entity;
  - (c) financial statements that are, or are held out to be, general purpose financial statements; and
  - (d) financial statements of GGSs prepared in accordance with AASB 1049.
- 19 AASB 1055 *Budgetary Reporting* applies to:
- (a) whole of government general purpose financial statements of each government;
  - (b) financial statements of each government's GGS;
  - (c) general purpose financial statements of each not-for-profit reporting entity within the GGS; and
  - (d) financial statements of each not-for-profit entity within the GGS that are, or are held out to be, general purpose financial statements.
- 20 AASB 1056 *Superannuation Entities* applies to:
- (a) general purpose financial statements of each superannuation entity that is a reporting entity; and
  - (b) financial statements of a superannuation entity that are held out to be general purpose financial statements.
- 21 AAS 25 *Financial Reporting by Superannuation Plans* applies to general purpose financial reports of each superannuation plan in the private or public sector that is a reporting entity.

## Application of Australian Interpretations

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- 22 Unless specified otherwise in paragraphs 23–26, Interpretations apply to:
- (a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;
  - (b) general purpose financial statements of each other reporting entity; and
  - (c) financial statements that are, or are held out to be, general purpose financial statements.
- 23 Interpretation 110 *Government Assistance – No Specific Relation to Operating Activities* applies to:
- (a) each for-profit entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;
  - (b) general purpose financial statements of each other for-profit reporting entity; and

- (c) financial statements of a for-profit entity that are, or are held out to be, general purpose financial statements.
- 24 Interpretation 1019 *The Superannuation Contributions Surcharge* applies to:
- (a) each superannuation plan that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;
  - (b) general purpose financial statements of each other superannuation plan that is a reporting entity; and
  - (c) financial statements of a superannuation plan that are, or are held out to be, general purpose financial statements.
- 25 Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* applies to public sector entities as follows:
- (a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;
  - (b) general purpose financial statements of each other reporting entity; and
  - (c) financial statements that are, or are held out to be, general purpose financial statements.
- 26 Interpretation 1047 *Professional Indemnity Claims Liabilities in Medical Defence Organisations* applies to entities that are or include medical defence organisations as follows:
- (a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;
  - (b) general purpose financial statements of each other reporting entity; and
  - (c) financial statements that are, or are held out to be, general purpose financial statements.

## **Commencement of the legislative instrument**

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- 27 For legal purposes, this legislative instrument commences on 31 December 2015.

## **Appendix Defined terms**

*This appendix is an integral part of AASB 1057.*

<b>general purpose financial statements</b>	Financial statements that are intended to meet the needs of users who are not in a position to require an entity to prepare reports tailored to their particular information needs.
<b>reporting entity</b>	An entity in respect of which it is reasonable to expect the existence of users who rely on the entity's general purpose financial statements for information that will be useful to them for making and evaluating decisions about the allocation of resources. A reporting entity can be a single entity or a group comprising a parent and all of its subsidiaries.

## Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, AASB 1057.*

- BC1 This Basis for Conclusions summarises the Australian Accounting Standards Board's considerations in reaching the conclusions in AASB 1057 *Application of Australian Accounting Standards*. Individual Board members gave greater weight to some factors than to others.
- BC2 In 2005 when Australia transitioned to adopting International Financial Reporting Standards (IFRSs), Australian Accounting Standards (including Interpretations) were issued using IFRSs as a base. Australian-specific paragraphs (labelled as 'Aus' paragraphs), including application paragraphs, were added to the IFRS text. These application paragraphs identified, in each Standard, the entities and financial reports to which the Standard applied. For example, most Standards apply explicitly to reporting entities and to general purpose financial statements. Other minor amendments were also made to the IFRS text (eg Australian terminology and punctuation).
- BC3 At its May 2015 meeting, the Board decided to revise Australian Accounting Standards that incorporate IFRSs to minimise Australian-specific wording even further. Therefore, because IFRSs do not contain such application paragraphs, the application paragraphs that were previously in each Australian Accounting Standard were moved to this Standard. In doing so, the application requirements have not been amended. These application paragraphs also do not affect requirements in other Standards that specify that certain paragraphs apply only to certain types of entities.
- BC4 For consistency, the application paragraphs of Australian-specific Standards have also been included in this Standard, without amendment. When those Standards are amended for other reasons, their application paragraphs are expected to be removed.