Exposure Draft

ED 151
November 2006

Australian Additions to, and Deletions from, IFRSs

Prepared by the
Australian Accounting Standards Board

Australian Government
Australian Accounting
Standards Board

Commenting on this Exposure Draft

The AASB is seeking comment by 31 January 2007. Comments should be addressed to:

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A copy of all non-confidential submissions to the AASB will be placed on public record on the AASB website: www.aasb.com.au.

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PREFACE

Background

Australian Accounting Standards

The Australian Accounting Standards Board (AASB) makes Australian Accounting Standards to be applied by:

(a) entities required by the *Corporations Act 2001* to prepare financial reports;

(b) all reporting entities in the for-profit, not-for-profit or public sectors; and

(c) any other entity that prepares general purpose financial reports.

Australian Accounting Standards that apply to annual reporting periods beginning on or after 1 January 2005 include Australian equivalents to International Financial Reporting Standards (IFRSs). IFRSs comprise accounting standards and interpretations. IFRSs are issued by the International Accounting Standards Board (IASB), and their adoption in Australia is in accordance with a strategic direction made by the Financial Reporting Council. The reasons for adoption of IFRSs in Australia are explained in CLERP Paper No. 9, *Proposals for Reform – Corporate Disclosure* (2002).

Although IFRSs are developed to apply to for-profit entities, the AASB has decided to continue to make transaction-neutral accounting standards. Accordingly, Australian Accounting Standards (including Australian equivalents to IFRSs) generally apply to both for-profit and not-for-profit entities, including public sector entities. An Australian equivalent to an IFRS uses the corresponding IFRS as the "foundation" Standard to which the AASB adds material detailing its scope and applicability in the Australian environment. Additions are made, where necessary, to broaden the content of the Australian equivalent to an IFRS to cover domestic, regulatory or other issues. In addition to making accounting standards that are Australian equivalents to IFRSs, the AASB also continues to make other Australian Accounting Standards that are specific to the not-for-profit or public sectors or that are purely of a domestic nature.

Exposure Drafts

The adoption of IFRSs is an ongoing process. Whenever the IASB issues new or amended IFRSs, the AASB must also consider making new or amended Australian equivalents to those IFRSs.

In developing a new or amended IFRS, the IASB releases an Exposure Draft (ED) of the proposed Standard or amendments for public comment. The AASB generally follows a similar due process prior to making or amending Australian Accounting Standards. In the case of changes proposed by the IASB to IFRSs, the AASB also releases an ED containing those proposed changes and specifically invites comments from Australian constituents on, among other things, whether the implementation of the proposals in an Australian equivalent to an IFRS may be affected by the Australian environment (including the legal and regulatory environment) and whether the proposals are in the best interests of the Australian economy.

Purpose of this Exposure Draft

In the process of adopting IFRSs in Australia, the AASB made a number of additions to, and deletions from, the Standards. The AASB considered this to be necessary in order to provide a sound basis for the transition to Australian equivalents to IFRSs and to maintain a high level of consistency in Australian financial reporting.

The purpose of this ED is to invite comments from Australian constituents on proposed amendments to Australian equivalents to IFRSs relating to the additions and deletions made by the AASB.

The AASB deleted optional treatments from the IFRSs when an existing Australian Standard (pre-2005) allowed only one of those treatments. The AASB also added disclosures to the IFRSs that existed in (pre-2005) Australian Standards.

Based on recent experience in implementing Australian equivalents to IFRSs, the AASB has decided to make the Australian requirements the same as IFRSs in respect of for-profit entities. In order to achieve this objective, the AASB is proposing to remove most of the remaining differences from IFRSs, other than those dealt with in specific not-for-profit entity paragraphs. The not-for-profit paragraphs are expected to be reviewed in conjunction with the Financial Reporting Standards Board of New Zealand.

The AASB issued in October 2006 a revised AASB 101 *Presentation of Financial Statements* which removes certain Australian paragraphs from AASB 101. This followed the issue of ED 148 Proposed Amendments to AASB 101 *Presentation of Financial Statements*: A Revised Presentation.

The AASB proposes that, in principle, all options that currently exist under IFRSs should be included in the Australian equivalents to IFRSs and additional Australian disclosures should be eliminated, other than those considered particularly relevant in the Australian reporting environment.

The table in this ED shows the relevant Standard and paragraph references; the nature of the difference; and the proposed action. The table does not show all the consequential amendments relating to the ED proposals in the interest of brevity.

In addition to the amendments proposed in this ED, a number of editorial changes will be made to Standards based on errors and other matters identified by the AASB and IASB staff.

Removal of the "Differences" sections

In addition, the "Differences" sections appended to Australian equivalents to IFRSs are to be removed by the end of 2006 as these sections have served their original purpose of assisting constituents with the transition to Australian equivalents to IFRSs. These sections identify differences between an Australian equivalent to IFRS and the corresponding pre-2005 Australian Standard.

Key Proposals

Inclusion of Optional Treatments available under IFRSs

The optional treatments that are proposed to be added to Australian equivalents to IFRSs include:

- the option to use the indirect method for the presentation of cash flow statements under AASB 107 *Cash Flow Statements;* and
- the option to use proportionate consolidation for interests in joint venture entities under AASB 131 *Interests in Joint Ventures.*

Removal of Disclosure Requirements

The ED proposes to remove the Aus paragraphs relating to a number of disclosure requirements. These include disclosure requirements relating to defined benefit obligations, financial instruments and interim financial reports.

Basis for Conclusions

The AASB's reasons for deciding to have the same requirements as IFRSs in Australia in respect of for-profit entities are noted below.

The AASB concluded that, in order to obtain the full benefits of the Australian adoption of IFRSs, it is important that the same requirements as IFRSs are in Australian Standards in respect of for-profit entities.

The AASB considers that Australian differences from IFRSs (other than additional disclosures) have the potential to result in different outcomes from those that would be achieved under IFRSs.

In making its decision, the AASB noted that there are inevitably certain costs associated with the removal of Australian differences, for instance the level of comparability in financial reporting across Australia may be diminished by including the optional treatments in IFRSs. Nevertheless, the AASB is satisfied that the principle of having the same requirements as IFRSs for for-profit entities is in Australia's best interest and that any associated costs will be exceeded by the potential benefits of comparability between Australian financial reporting and financial reporting under IFRSs elsewhere in the world.

Operative Date

It is proposed that the amendments be available for application to annual reporting periods beginning on or after 1 July 2007, with early adoption being permitted to annual reporting periods beginning on or after 1 January 2005.

Request for Comments

The AASB invites comments by 31 January 2007 on whether constituents agree with the proposed amendments and, if not, the reasons for disagreement.

Proposed Amendments

The following table shows proposed actions on differences from IFRSs and provides the details of the proposed amendments. The table has been ordered by Standard. Not all Standards appear as in certain Standards the requirements are the same as IFRSs for for-profit entities. In some cases, particular issues raised involve additions to, and deletions from, more than one Standard.

Paragraph References	Differences from IFRSs	Proposed Action/ Explanation
AASB 1	***First-time Adoption of Australian Equivalents to IFRSs***	
Aus3.1	The addition notes that "the conditions specified in paragraph 3 for the application of this Standard are satisfied when the first financial report after this Standard becomes effective contains a statement that the financial report complies with Australian Accounting Standards, in accordance with paragraph Aus13.2 of AASB 101."	Allows entities complying for the first-time with the 2005 set of Australian Accounting Standards and subsequent sets of those Standards, but not necessarily complying with IFRSs, to use AASB 1. Paragraph should be retained.
Amended 25	The last sentence in paragraph 25 of IFRS 1 has not been included in paragraph 25 of AASB 1. It notes: "Similarly, if a parent becomes a first-time adopter for its separate financial statements earlier or later than for its consolidated financial statements, it shall measure its assets and liabilities at the same amounts in both financial statements, except for consolidation adjustments."	The AASB has agreed in principle to remove differences from IFRSs, even though this particular circumstance is unlikely to arise in the Australian reporting environment. The sentence should be included in paragraph 25 of AASB 1.
Aus25D.1	This paragraph notes that "All references to AASB 1023 and AASB 1038 in this Standard are to the versions effective beginning on or after 1 January 2005. For the purposes of this Standard, AASB 1023 and AASB 1038 are treated as if they are Australian equivalents to IFRSs."	This reference has served its purpose. Paragraph should not be retained.

Paragraph References	Differences from IFRSs	Proposed Action/ Explanation
AASB 1	***First-time Adoption of Australian Equivalents to IFRSs***	
Replaced 34B with Aus34B.1	Paragraph 34B notes that "An entity with a date of transition to IFRSs before 1 January 2005 shall apply the transitional provisions of IFRS 5. An entity with a date of transition to IFRSs on or after 1 January 2005 shall apply IFRS 5 retrospectively." Paragraph Aus34B.1 notes that "Entities adopting Australian equivalents to IFRSs on or after 1 January 2005 shall apply AASB 5 to comparative information presented in an entity's first Australian-equivalents-to-IFRSs financial report."	Transition to IFRSs before 1 January 2005 is not permitted in Australia. Paragraph should be retained as the replacement for the IFRS 1 paragraph.
Aus36.1	The addition notes that comparative information is required to facilitate understanding of the current reporting period and does not replace the original financial report for the preceding period.	The AASB has agreed in principle to remove differences from IFRSs unless they are particularly relevant in the Australian reporting environment. Paragraph should not be retained.
Amended footnote 1 to B2(c)(ii) of Appendix B	Footnote 1 to paragraph B2(c)(ii) of Appendix B of AASB 1 notes that "Such changes include reclassification from or to intangible assets if goodwill was not recognised under previous GAAP as an asset." Footnote to paragraph B2(c)(ii) of Appendix B of IFRS 1 includes a second sentence "This arises if, under previous GAAP, the entity (a) deducted goodwill directly from equity or (b) did not treat the business combination as an acquisition."	The AASB has agreed in principle to remove differences from IFRSs, even though this particular circumstance is unlikely to be common given the previous Australian reporting environment. The second sentence of the footnote should be included in AASB 1.

Paragraph References	**Differences from IFRSs**	**Proposed Action/ Explanation**
AASB 3	***Business Combinations***	
Amended definition of "reporting entity" included in Appendix A	The definition of "reporting entity" in AASB 3 states "An entity in respect of which it is reasonable to expect the existence of users..." whereas the definition in IFRS 3 states "An entity for which there are users..." The main use of the definition in AASB 3 (IFRS 3) is in the definition of "business combination", which is "The bringing together of separate entities or businesses into one reporting entity".	The AASB will review SAC 1 *Definition of the Reporting Entity* and its use of the term "reporting entity" in the application paragraphs of AASB Standards. The existing Australian definition should be retained for the time being.
AASB 4	***Insurance Contracts***	
Aus4.1-2 Aus6.1	These paragraphs are cross-references to AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*, which contain the previous Australian GAAP grandfathered under AASB 4.	These paragraphs remain relevant until the IASB's Insurance Phase 2 project is completed. Paragraphs should be retained.
AASB 6	***Exploration for and Evaluation of Mineral Resources***	
Aus7.1-3 Aus9.1-4 Aus13.1 Aus22.1 Aus24.1 Aus27.1	These additions relate to grandfathering of area of interest accounting.	These paragraphs remain relevant until the IASB's long-term Extractive Activities project produces an outcome. Paragraphs should be retained.

Paragraph References	**Differences from IFRSs**	**Proposed Action/ Explanation**
AASB 107	***Cash Flow Statements***	
Deleted 18(b) and 20 Amended 19 Deleted illustrative example of indirect method	Relates to removal of the option to use the indirect method for presentation of cash flow statements.	The AASB has agreed in principle to include the optional treatments available in IFRSs. Paragraphs 18(b) and 20 of IAS 7 should be included in AASB 107. Paragraph 19 should be amended to the IAS 7 wording. The illustrative example of the indirect method should be included in AASB 107.
Aus20.1-2	The additions relate to requiring a reconciliation of cash flows arising from operating activities to profit or loss.	The AASB has agreed in principle to remove disclosures not required in IFRSs unless they are particularly relevant in the Australian reporting environment. Paragraphs should not be retained.
Deleted part of 34	Relates to removal of the alternative of classifying dividends paid as operating cash flows (as opposed to financing cash flows).	The AASB has agreed in principle to include the optional treatments available in IFRSs. Options available in paragraph 34 of IAS 7 should be included in AASB 107.

Paragraph References	**Differences from IFRSs**	**Proposed Action/ Explanation**
AASB 107	***Cash Flow Statements***	
Deleted 50(b)	Requires the disclosure of cash flows related to interests in joint venture entities reported using proportionate consolidation.	The AASB is proposing to include the option to use proportionate consolidation for interests in joint venture entities, subject to progress by the IASB and FASB in removing this option. Paragraph 50(b) of IAS 7 should be included in AASB 107.
AASB 110	***Events after the Balance Sheet Date***	
Aus6.1	The addition relates to the Australian legislative framework. Paragraph 6 states: "In some cases, the management of an entity is required to issue its financial report to a supervisory board (made up solely of non-executives) for approval. In such cases, the financial report is authorised for issue when the management authorises it for issue to the supervisory board." This is followed by an example relating to supervisory boards. Paragraph Aus6.1 states: "The existence of a supervisory board, as noted in paragraph 6, may be rare in the Australian environment. In the case of companies, it is only the directors that can approve the financial report under the Corporations Act. In the case of other entities, management or the governing body of the entity authorises the financial report for issue."	The AASB has agreed in principle to remove differences from IFRSs unless they are particularly relevant in the Australian reporting environment. Paragraph should not be retained.

Paragraph References	**Differences from IFRSs**	**Proposed Action/ Explanation**
AASB 112	***Income Taxes***	
Aus2.1	Scopes income tax equivalents into the Standard. This would generally affect for-profit public sector entities.	The paragraph remains relevant since, in principle, AASB Standards are transaction neutral. Paragraph should be retained.
Aus80.1	Paragraph 78 notes that, where exchange differences on deferred foreign tax liabilities or assets are recognised in the income statement, such differences may be classified as deferred tax expense (income) if that presentation is considered to be the most useful to financial report users. Paragraph Aus80.1 requires an entity that classifies exchange differences on deferred foreign tax liabilities or assets that are recognised in the income statement as deferred tax expense (income) in accordance with paragraph 78 to also disclose the reasons why it considers that presentation will be the most useful to financial report users.	The AASB has agreed in principle to remove disclosures not required in IFRSs unless they are particularly relevant in the Australian reporting environment. Paragraph should not be retained.
Deleted 81(c)(ii)	Paragraph 81(c) of IAS 12 permits an explanation of the relationship between tax expense and accounting profit as: (i) a reconciliation between tax expense and accounting profit multiplied by the applicable tax rate; or (ii) a reconciliation between the average effective tax rate and the applicable tax rate. This second option is not available under AASB 112.	The AASB has agreed in principle to include the optional treatments available in IFRSs. Paragraph 81(c)(ii) of IAS 12 should be included in AASB 112.

Paragraph References	Differences from IFRSs	Proposed Action/ Explanation
AASB 114	***Segment Reporting***	
Some text deleted in the definitions of "segment revenue", "segment expense", "segment assets" and "segment liabilities"	The deletions are consequential on the removal of the option from IAS 31 *Interests in Joint Ventures* to use proportionate consolidation for joint venture entities.	The AASB is proposing to include the option to use proportionate consolidation for joint venture entities, subject to progress by the IASB and the FASB in removing this option. The IAS 14 definitions of "segment revenue", "segment expense", "segment assets" and "segment liabilities" should be included in AASB 114.
AASB 116	***Property, Plant and Equipment***	
Deleted 28	Paragraph 28 of IAS 16 states that the carrying amount of an item of property, plant and equipment may be reduced by government grants in accordance with IAS 20.	The AASB has agreed in principle to include the optional treatments available in IFRSs, including those in IAS 20. Paragraph 28 of IAS 16 should be included in AASB 116.

Paragraph References	**Differences from IFRSs**	**Proposed Action/ Explanation**
AASB 119	***Employee Benefits***	
Aus78.1	Paragraph 78 requires the rate used to discount post-employment benefit obligations to be determined by reference to market yields at the reporting date on high quality corporate bonds. However, in countries where there is no deep market in such bonds, the discount rate is determined by reference to market yields on government bonds. Paragraph Aus78.1 notes that Australia does not have a sufficiently active and liquid market for high quality corporate bonds and, accordingly, reference is made to market yields on government bonds in discounting post-employment benefit obligations denominated in Australian currency.	The AASB considers that each private sector entity and for-profit public sector entity should make its own judgement of the rate to use in accordance with paragraph 78. Paragraph should not be retained. An Aus paragraph should be added to require not-for-profit public sector entities to use a discount rate determined by reference to market yields on government bonds because the high quality corporate bond rate does not seem relevant in this sector.
Aus121.1-2	Requires the disclosure of: * surplus or deficit measured as difference between accrued benefits and net market value of assets determined using AAS 25 *Financial Reporting by Superannuation Plans*; * current contribution recommendations; * details of funding method; * economic assumptions used to make funding recommendations; and * details of nature of any recognised asset/liability, including any legal liability to make up a deficit or the manner in which the employer may benefit from any surplus.	The AASB has agreed in principle to remove disclosures not required in IFRSs unless they are particularly relevant in the Australian reporting environment. Paragraphs should not be retained.

Paragraph References	**Differences from IFRSs**	**Proposed Action/ Explanation**
AASB 120	***Accounting for Government Grants and Disclosure of Government Assistance***	
Amended 23	Paragraph 23 in AASB 120 states: “A government grant may take the form of a transfer of a non-monetary asset, such as land or other resources, for the use of the entity. In these circumstances the entity assesses the fair value of the non-monetary asset and accounts for both grant and asset at that fair value.” Paragraph 23 in IAS 20 goes on to state: “An alternative course that is sometimes followed is to record both asset and grant at a nominal amount.”	The AASB has agreed in principle to include the optional treatments available in IFRSs. Paragraph should be amended to the IAS 20 wording.
Amended 24 Deleted 25 & 27 Amended 26, 28 & 32	Paragraph 24 in AASB 120 states: “Government grants related to assets, including non-monetary grants at fair value, shall be presented in the balance sheet by setting up the grant as deferred income.” Paragraph 24 in IAS 20 goes on to state: “or by deducting the grant in arriving at the carrying amount of the asset.” Deletion of paragraphs 25 and 27 and the amendments to paragraphs 26, 28 and 32 of IAS 20 relate to removing references to the option of offsetting grants against the carrying amounts of assets related to those grants.	The AASB has agreed in principle to include the optional treatments available in IFRSs. Paragraphs 24, 26, 28 and 32 of AASB 120 should be amended to the IAS 20 wording. Paragraphs 25 and 27 of IAS 20 should be included in AASB 120.

Paragraph References	Differences from IFRSs	Proposed Action/ Explanation
AASB 120	***Accounting for Government Grants and Disclosure of Government Assistance***	
Amended 29 Deleted 30 Amended 31	Paragraph 29 in AASB 120 states: “Grants related to income are presented as a credit in the income statement.” Paragraph 29 in IAS 20 states: “Grants related to income are sometimes presented as a credit in the income statement, either separately or under a general heading such as “Other income”; alternatively, they are deducted in reporting the related expense.” The deletion of paragraph 30 and amendment to paragraph 31 of IAS 20 relate to removing references to the option of offsetting grants against related expenses.	Paragraphs 29 and 31 of AASB 120 should be amended to the IAS 20 wording. Paragraph 30 of IAS 20 should be included in AASB 120.
AASB 121	***The Effects of Changes in Foreign Exchange Rates***	
Aus38.1	The paragraph notes that for the purposes of the Corporations Act entities are only permitted to present a financial report which purports to be drawn up in accordance with the Act in one presentation currency.	Paragraph Aus38.1 remains relevant to the Australian reporting environment. Paragraph should be retained.
Aus53.1	When the presentation currency is different from the Australian currency, the entity must disclose the reason and justification for not using the Australian currency. This is identical to the requirement (paragraph Aus46.1) recently deleted from AASB 101.	The AASB has agreed in principle to remove disclosures not required in IFRSs unless they are particularly relevant in the Australian reporting environment. Paragraph should not be retained.

Paragraph References	**Differences from IFRSs**	**Proposed Action/ Explanation**
AASB 124	***Related Party Disclosures***	
Aus9.1-9.1.1	Definitions of “director”, “disclosing entity”, and a note to say that “remuneration” is “compensation” as defined in the Standard.	The Australian content of AASB 124 will be the subject of issues papers in the near future as part of efforts to rationalise the key management personnel disclosure requirements with the requirements of section 300A of the *Corporations Act 2001*. Paragraphs should be retained for the time being.
Aus12.1	Requires disclosure of the identities of parent or ultimate controlling entities incorporated outside Australia and within Australia.	The Australian content of AASB 124 will be the subject of issues papers in the near future. Paragraph should be retained for the time being.
Aus25.1-29.3	Require detailed disclosures by disclosing entities about individual key management personnel.	The Australian content of AASB 124 will be the subject of issues papers in the near future. Paragraphs should be retained for the time being.

Paragraph References	**Differences from IFRSs**	**Proposed Action/ Explanation**
AASB 127	***Consolidated and Separate Financial Statements***	
Amended 4 definition of "separate financial statements" of IAS 27 The same changed definition appears in AASB 128 *Investments in Associates* and AASB 131 *Interests in Joint Ventures* Amended 7 of IAS 28 Deleted 3 of IAS 28 Deleted 4 of IAS 28 Deleted 39 of IAS 31	IAS 27 defines "separate financial statements" as "those presented by a parent, an investor in an associate or in a jointly controlled entity, in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees". In AASB 127, the definition relates only to parents and does not refer to an investor in an associate or in a jointly controlled entity. Paragraph 7 of IAS 27 notes that financial statements of an entity that does not have a subsidiary, associate or venturer's interest in a jointly controlled entity are not separate financial statements. In AASB 127, paragraph 7 refers only to a subsidiary. Deleted paragraph 3 of IAS 28 notes that financial statements in which the equity method is applied are not separate financial statements and nor are the financial statements of an entity that does not have a subsidiary, associate or venturer's interest in a joint venture. Deleted paragraph 4 of IAS 28 describes "separate financial statements" in a manner consistent with the IAS 27 definition. Deleted paragraph 39 of IAS 31 states that a venturer recognises its interest in a jointly controlled entity using the equity method irrespective of whether it also has investments in subsidiaries or whether it describes its financial statements as consolidated financial statements.	The AASB has agreed in principle to propose reversing the differences from the IASB Standards that were made in promulgating AASB 127, AASB 128 and AASB 131 that relate to the definition of "separate financial statements". The definition of "separate financial statements" and paragraph 7 of AASB 127 should be amended to the wording of IAS 27. Paragraphs 3 and 4 of IAS 28, and paragraph 39 of IAS 31 should be included in AASB 128 and AASB 131 respectively.

Paragraph References	**Differences from IFRSs**	**Proposed Action/ Explanation**
AASB 127	***Consolidated and Separate Financial Statements***	
Amended 6 of IAS 27	The last sentence in paragraph 6 of IAS 27 has not been included in AASB 127. It notes: "Separate financial statements need not be appended to, or accompany, those statements."	Paragraph 6 of AASB 127 should be amended to IAS 27 wording, with a new paragraph Aus6.1 being inserted as follows: Notwithstanding paragraph 6, for the purpose of reporting under the Corporations Act, consolidated financial statements and separate financial statements are required to be presented together.
Deleted 8 & 9 of IAS 27 Aus9.1-9.2 Deleted 10, 11 & 41 of IAS 27 Deleted 5 & 13(b) of IAS 28 Amended 42	In combination, the additions and deletions remove exclusions from the requirement to present consolidated financial statements. Paragraph 10 of IAS 27 excludes parents from preparing consolidated financial statements if, and only if, they: * are wholly owned or partly-owned, but all the owners do not object to there being no consolidation; * do not have debt or equity traded in a public market; * do not file financial reports for the purpose of issuing securities in a public market; and * have an ultimate parent, or any intermediate parent, that produces publicly available consolidated financial statements. Paragraph 41 of IAS 27 requires certain disclosures for parent financial statements when consolidated financial statements are not prepared under paragraph 10. Paragraphs 5 & 13(b) of IAS 28 refer to paragraph 10 of IAS 27.	The additions and deletions should be changed to the IAS 27 wording. Accordingly, paragraphs 8, 9 and 10 of IAS 27 should be included in AASB 127 and paragraph Aus9.1 should be deleted (and the existing paragraph Aus9.2 which relates to public sector entities would become Aus9.1). Consequently, paragraphs 11 and 41 of IAS 27 should also be included in AASB 127 and paragraph 42 of AASB 127 made the same as in IAS 27. However, the AASB notes that the inclusion of paragraph 10 of IAS 27 might lead to consolidated financial statements of an

Paragraph References	Differences from IFRSs	Proposed Action/ Explanation
AASB 127	***Consolidated and Separate Financial Statements***	
		Australian group not being prepared when it has a foreign parent that prepares consolidated financial statements at the global level that comply with IFRSs even if the ultimate Australian parent is a reporting entity. Accordingly, a new paragraph Aus10.1 should be inserted as follows: Notwithstanding paragraph 10, the ultimate Australian parent shall present consolidated financial statements that consolidate its investments in subsidiaries in accordance with this Standard when either the parent or the group is a reporting entity.
Aus13.1-5	Commentary on the application of control in the public sector.	Paragraphs should be retained since they deal with control in the public sector.
Aus27.1	Paragraph 27 includes requirements to deal with different reporting dates and different lengths of reporting periods. Paragraph Aus27.1 reminds readers that the Corporations Act requires subsidiaries to synchronise reporting dates with parents.	The AASB has agreed in principle to remove differences from IFRSs unless they are particularly relevant in the Australian reporting environment. Paragraph should not be retained.

Paragraph References	Differences from IFRSs	Proposed Action/ Explanation
AASB 127	***Consolidated and Separate Financial Statements***	
Aus40.1	Requires disclosure of: * the identity of the parent within the group and, if this group is part of one or more larger groups, the identity of the ultimate parent in Australia and, if different, the identity of the ultimate parent; and * reasons why control exists.	The AASB has agreed in principle to remove disclosures not required in IFRSs unless they are particularly relevant in the Australian reporting environment. Paragraph should not be retained.
Aus42.1	Paragraph Aus42.1 requires disclosure in the notes of a list of significant subsidiaries where a group of entities (e.g. a government and its controlled entities) does not prepare parent financial statements, including: name; country of incorporation; and proportion of ownership interest and, if different, proportion of voting power held. Paragraph 42 of IAS 27 requires similar disclosures in parent entity financial statements.	The AASB has agreed in principle to remove disclosures not required in IFRSs unless they are particularly relevant in the Australian reporting environment. Aus42.1 was originally included to cater for entities that do not prepare parent entity reports. Paragraph should not be retained.
Aus42.2	Paragraph Aus42.2 reminds users that disclosures relating to associates and jointly controlled entities are required by AASB 128 and AASB 131 respectively.	The AASB has agreed in principle to remove differences from IFRSs unless they are particularly relevant in the Australian reporting environment. Paragraph should not be retained.

Paragraph References	Differences from IFRSs	Proposed Action/ Explanation
AASB 128	***Investments in Associates***	
Deleted 5 and 13(b)	Allows entities that are exempted from consolidation by paragraph 10 of IAS 27 from consolidation, by paragraph 2 of IAS 31 from applying proportionate consolidation or by paragraph 13(c) of IAS 28 from applying the equity method, to present separate financial statements as their only financial statements.	The AASB is proposing to include paragraph 10 of IAS 27 and paragraph Aus10.1 in AASB 127. Accordingly, paragraph 5 of IAS 28 should be included in AASB 128, and paragraph 13(b) of IAS 28 should be included in AASB 128, modified as follows: "the exception in paragraph 10, as modified by paragraph Aus10.1, of AASB 127 allowing a parent that also has an interest in an associate not to present consolidated financial statements, applies; or".
Aus14.1	Paragraph Aus14.1 requires entities exempted by paragraph 13(c) to use cost or fair value in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* in accounting for their investments in associates. Paragraph 13(c) exempts entities from applying the equity method to associates when the investor: * is wholly owned or partly-owned, but all the owners don't object to not applying the equity method; * does not have debt or equity traded in a public market; * does not file financial reports for the purpose of issuing securities in a public market; and * has an ultimate parent, or any intermediate parent, that produces publicly available consolidated financial statements using IFRSs.	The AASB has agreed in principle to remove differences from IFRSs unless they are particularly relevant in the Australian reporting environment. Paragraph should not be retained.

Paragraph References	Differences from IFRSs	Proposed Action/ Explanation
AASB 128	***Investments in Associates***	
Aus37.1	Requires various disclosures in respect of each significant associate, including name, principal activities, ownership interest, share of profit and share of capital commitments.	The AASB has agreed in principle to remove disclosures not required in IFRSs unless they are particularly relevant in the Australian reporting environment. Paragraph should not be retained.
AASB 130	***Disclosures in the Financial Statements of Banks and Similar Financial Institutions***	
Aus17.1-2 Aus30.1 Aus49.1-2 Aus55.1-2	These paragraphs require additional disclosures including: * an analysis of interest income and expense for each major category of interest-bearing asset/liability; * contractual maturities by certain categories of instrument; * carrying amounts and impairment losses in relation to restructured loans and assets acquired through enforcement of security; and * nature and extent of fiduciary activities.	The AASB has agreed in principle to remove disclosures not required in IFRSs unless they are particularly relevant in the Australian reporting environment. AASB 130 will be superseded by AASB 7. Paragraphs should not be retained.

Paragraph References	**Differences from IFRSs**	**Proposed Action/ Explanation**
AASB 131	***Interests in Joint Ventures***	
Deleted 2(b)	Paragraph 2(b) of IAS 31 refers to paragraph 10 of IAS 27.	The AASB has decided to include paragraph 10 of IAS 27 and Aus10.1 in AASB 127. Accordingly, paragraph 2(b) of IAS 31 should be included in AASB 131, modified as follows: "the exception in paragraph 10, as modified by paragraph Aus10.1, of AASB 127 allowing a parent that also has an interest in a jointly controlled entity not to present consolidated financial statements is applicable; or".
Deleted 4-6, and 30-37 Amended 38 Aus38.1 Deleted 39 Deleted 40 Deleted 56-57	Deleted paragraphs 4-6, and 30-37 relate to requirements and commentary on proportionate consolidation of joint venture entities. Paragraph 38 characterises equity accounting as an alternative to proportionate consolidation of joint venture entities. Paragraph Aus38.1 directs users of the Standard to using the equity method as described in AASB 128. Deleted paragraph 39 requires the use of the equity method irrespective of whether the venturer has investments in subsidiaries or whether its financial statements are described as consolidated financial statements. Deleted paragraph 40 argues that proportionate consolidation is superior to equity accounting. Deleted paragraph 56 includes disclosure requirements for entities using	The AASB has agreed in principle to remove disclosures not required in IFRSs unless they are particularly relevant in the Australian reporting environment. Accordingly, the AASB proposes to include the option to use proportionate consolidation for joint venture entities, subject to progress by the IASB and the FASB in removing this option. Aus38.1 should not be retained. Paragraphs 4-6, 30-40 and 56-57 of IAS 31 should be included in AASB 131.

Paragraph References	Differences from IFRSs	Proposed Action/ Explanation
AASB 131	***Interests in Joint Ventures***	
	proportionate consolidation. Deleted paragraph 57 requires disclosure of the method used to treat interests in joint venture entities.	
Aus43.1	Paragraph Aus43.1 requires venturers exempted by paragraph 2(c) to use cost or fair value in accordance with AASB 139 in accounting for interests in jointly controlled entities. Paragraph 2(c) exempts venturers from applying the equity method to interests in jointly controlled entities when the venturer: * is wholly owned or partly-owned, but all the owners don't object to not applying proportionate consolidation or the equity method; * does not have debt or equity traded in a public market; * does not file financial reports for the purpose of issuing securities in a public market; and * has an ultimate parent, or any intermediate parent, that produces publicly available consolidated financial statements.	The AASB has agreed in principle to remove differences from IFRSs unless they are particularly relevant in the Australian reporting environment. Paragraph should not be retained.
Aus57.1	This paragraph requires additional disclosures about jointly controlled operations and assets, including: * name and principal activities of each significant venture; * percentage interest in output; and * for each asset category of a venturer, the aggregate amount employed in ventures.	The AASB has agreed in principle to remove disclosures not required in IFRSs unless they are particularly relevant in the Australian reporting environment. Paragraph should not be retained.

Paragraph References	Differences from IFRSs	Proposed Action/ Explanation
AASB 131	***Interests in Joint Ventures***	
Aus57.2-5	These paragraphs require additional disclosures about jointly controlled entities, including: * fair value of interest where there is a published price; * summarised financial information on assets, liabilities, income and expenses, when the equity method is applied; * information about joint venture reporting dates; * nature and extent of restrictions on funds flowing from ventures; * share of unrecognised losses; * summarised financial information on assets, liabilities, income and expenses when the equity method is not applied; * name and principal activities of each significant venture; * ownership interest; * proportion of voting power; * share of profit, impairment losses, reversals of impairment losses, and discontinued operations, when the equity method is applied; * non-capital expenditure commitments; * interests must be classified as non-current assets, when the equity method is applied; and * venturer's share of changes in the jointly controlled entity's equity.	The AASB has agreed in principle to remove disclosures not required in IFRSs unless they are particularly relevant in the Australian reporting environment. Paragraph should not be retained.

Paragraph References	Differences from IFRSs	Proposed Action/ Explanation
AASB 132	***Financial Instruments: Disclosure and Presentation***	
Aus94.1	Additional paragraph requires disclosure of: * details of credit standby arrangements; and * a summary of the used and unused loan facilities.	The disclosure aspects of AASB 132 will be superseded by AASB 7. Paragraph should not be retained.
AASB 133	***Earnings per Share***	
Aus1.1	Paragraph Aus1.1 limits the application of AASB 133 to entities with ordinary shares. IAS 33 also applies to entities that have only potential ordinary shares.	Although it is not currently feasible under the Corporations Act for entities to have only potential ordinary shares, it may become so in future. Paragraph Aus1.1 should be amended to extend the application of AASB 133 to entities that have on issue or are in the process of issuing only potential ordinary shares.
Aus63.1-5	Paragraphs require additional disclosures of: * EPS using an alternative and more meaningful denominator in the event of a major capital restructure; and * reasons for any alternative disclosure.	The AASB has agreed in principle to remove disclosures not required in IFRSs unless they are particularly relevant in the Australian reporting environment. Paragraphs should not be retained.
Aus70.1	Paragraph requires disclosure of the converted, lapsed or cancelled ordinary shares included in the calculation of diluted EPS.	The AASB has agreed in principle to remove disclosures not required in IFRSs unless they are particularly relevant in the Australian reporting environment. Paragraph should not be retained.

Paragraph References	Differences from IFRSs	Proposed Action/ Explanation
AASB 134	***Interim Financial Reporting***	
Deleted 14 Aus14.1-2	Deleted paragraph 14 requires consolidated interim financial statements if the most recent annual financial statements are consolidated. Paragraph Aus14.1 requires consolidated interim financial statements. Paragraph Aus14.2 reinstates the last sentence of (IAS 34) paragraph 14.	The AASB has agreed in principle to remove differences from IFRSs unless they are particularly relevant in the Australian reporting environment. Paragraph 14 of IAS 34 should be included in AASB 134. Paragraphs Aus14.1-2 should not be retained.
Aus16.1-4	Paragraphs require additional disclosures about: * the financial effect of material subsequent events; * dividends distributed and dividends proposed or declared; * cumulative preference dividends not recognised; * a statement that the report is to be read in conjunction with the most recent annual report; and * appropriate labelling of condensed financial statements and of the absence of notes that would normally appear in the annual report.	The AASB has agreed in principle to remove disclosures not required in IFRSs unless they are particularly relevant in the Australian reporting environment. Paragraphs should not be retained.
Aus18.1	Encourages disclosures in addition to the minimum required by AASB 134 and requires that any such disclosures be consistent with applicable Accounting Standards.	The AASB has agreed in principle to remove disclosures not required in IFRSs unless they are particularly relevant in the Australian reporting environment. Paragraph should not be retained.

Paragraph References	Differences from IFRSs	Proposed Action/ Explanation
AASB 134	***Interim Financial Reporting***	
Aus27.1-2	These paragraphs require that when there is a change in accounting policy during the final current interim period of the annual reporting period, but a separate interim financial report is not published for that final current interim period, the nature of the change in accounting policy and the financial effect of the change on prior interim financial reports of the current annual reporting period be disclosed in the annual financial report.	The AASB has agreed in principle to remove disclosures not required in IFRSs unless they are particularly relevant in the Australian reporting environment. Paragraphs should not be retained.
AASB 141	***Agriculture***	
Aus43.1	This paragraph requires disclosure of the nature of biological assets and an estimate or relevant indication of their physical quantity, separately classified between "plants" and "animals", and sub-classified as appropriate to the circumstances of the entity, showing separately those biological assets subject to a lease arrangement.	The AASB has agreed in principle to remove disclosures not required in IFRSs unless they are particularly relevant in the Australian reporting environment. Paragraph should not be retained.
Aus49.1	Requires disclosure of the biological assets for which the entity's use or capacity to sell is subject to restrictions imposed by regulations or other external requirements that have a significant impact on their total fair value less estimated point-of-sale costs. The total and restricted amounts of those biological assets shall be disclosed, together with details of the nature and extent of those restrictions.	The AASB has agreed in principle to remove disclosures not required in IFRSs unless they are particularly relevant in the Australian reporting environment. Paragraph should not be retained.