

Exposure Draft

ED 162
April 2008

Proposed Amendments to Key Management Personnel Disclosures by Disclosing Entities

Prepared by the
Australian Accounting Standards Board



Australian Government

**Australian Accounting
Standards Board**

Commenting on this Exposure Draft

Comments on this Exposure Draft are requested by 19 May 2008. Comments should be addressed to:

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All non-confidential submissions to the AASB will be made available to the public on the AASB website : www.aasb.com.au.

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AASB 2008-X AMENDMENTS TO AUSTRALIAN ACCOUNTING
STANDARD – RELATED PARTY DISCLOSURES: KEY
MANAGEMENT PERSONNEL DISCLOSURES BY DISCLOSING
ENTITIES**

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[Draft] Australian Accounting Standard AASB 2008-X *Amendments to Australian Accounting Standard — Related Party Disclosures: Key Management Personnel Disclosures by Disclosing Entities* is set out in paragraphs 1–7. All the paragraphs have equal authority. Paragraphs in **bold type** state the main principles. Terms defined in this Standard are in *italics* the first time they appear in the Standard. AASB 2008-X is to be read in the context of other Australian Accounting Standards, including AASB 1048 *Interpretation and Application 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

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 engaged in the for-profit, not-for-profit or public sectors; and
- (c) any other entity that prepares general purpose financial statements.

Australian Accounting Standards incorporate International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), with the addition of paragraphs on the applicability of the Standard in the Australian environment.

Australian Accounting Standards also include requirements that are specific to Australian entities. In most instances, these requirements are either restricted to the not-for-profit or public sectors or include additional disclosures that address domestic, regulatory or other issues. In developing requirements for public sector entities, the AASB will consider the requirements of International Public Sector Accounting Standards (IPSAS), as issued by the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants.

Exposure Drafts

The publication of an Exposure Draft (ED) is an essential part of the due process that the AASB follows before making an Australian Accounting Standard. The AASB uses EDs to seek public comment on the AASB's proposals for new and amending Standards.

Reasons for Issuing this Exposure Draft

The purpose of this ED is to invite comments from Australian constituents on proposed amendments affecting the application of the Australian paragraphs of AASB 124 *Related Party Disclosures*. AASB 124 incorporates all the requirements of IAS 24 *Related Party Disclosures*.

Main Features of this Exposure Draft

This Exposure Draft proposes to exclude disclosing entities that are companies from the application of AASB 124 paragraphs Aus25.2 to Aus25.6 and Aus25.7.1 and Aus25.7.2. However, AASB 124 paragraphs Aus25.7 and Aus25.7.3 to Aus25.9.3 still apply to disclosing entities that are companies.

As a result of the amendments to section 300A of the *Corporations Act 2001* and Regulation 2M.3.03 in 2007, companies are required to:

- (a) report remuneration information in the remuneration report in terms of the Corporations Act and Regulation 2M.3.03; and
- (b) report the same remuneration information in their financial statements in terms of AASB 124 paragraphs Aus25.2 to Aus25.6 and Aus25.7.1 and Aus25.7.2.

Corporations Act Regulation 2M.6.04 permitted listed companies to avoid making the same disclosures twice. The Corporations Amendment Regulations 2007 (No. 2) has removed that regulation. The Board considers that it is appropriate to continue to avoid that duplication by relieving disclosing entities that are companies from complying with the paragraphs in AASB 124 that have now been included in the Corporations Act and Regulation 2M.3.03.

Application Date

It is proposed that this Standard be applicable to annual reporting periods ending on or after 30 June 2008. It is proposed that early adoption of this Standard will not be permitted.

Request for Comments

Comments are invited on the proposals in this Exposure Draft by 19 May 2008. The AASB would prefer that respondents express a clear overall opinion on whether the proposals, as a whole, are supported and that this opinion be supplemented by detailed comments, whether supportive or critical on the major issues. The AASB regards supportive and critical comments as essential to a balanced review of the issues and will consider all submissions, whether they address all specific matters, additional issues or only one issue.

Specific Matters for Comment

- (a) whether you agree with the proposal to exclude disclosing entities that are companies from the application of AASB 124 paragraphs Aus25.2 to Aus25.6 and Aus25.7.1 and Aus25.7.2;
- (b) whether, overall, the proposals would result in financial reports that would be useful to users; and
- (c) whether the proposals are in the best interest of the Australian economy.

ACCOUNTING STANDARD AASB 2008-X
AMENDMENTS TO AUSTRALIAN ACCOUNTING
STANDARD – RELATED PARTY DISCLOSURES:
KEY MANAGEMENT PERSONNEL
DISCLOSURES BY DISCLOSING ENTITIES

Objective

- 1 The objective of this Standard is to make amendments to AASB 124 *Related Party Disclosures*.

Application

- 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 2001* 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.
- 3 This Standard applies to annual reporting periods ending on or after 30 June 2008. Early adoption of this standard is not permitted.
- 4 The requirements specified in this Standard apply to the financial statements where information resulting from their application is material in accordance with AASB 1031 *Materiality*.

Amendments to AASB 124

- 5 Paragraph Aus1.4 is amended to read as follows:
- Aus1.4** Subject to paragraphs Aus1.4.1 and Aus1.5, paragraphs Aus25.1 to Aus25.9.3 of this Standard apply to each disclosing entity, or group of which a disclosing entity is the parent, that is required to prepare financial reports in accordance with Part 2M.3 of the *Corporations Act*.

6 Paragraph Aus1.4.1 is added, to read as follows:

Aus1.4.1 Paragraphs Aus25.2 to Aus25.6 and Aus25.7.1 and Aus25.7.2 of this Standard do not apply to disclosing entities that are companies.

7 Paragraph Aus25.1 is amended to read as follows:

Aus25.1 Paragraphs Aus25.2 to Aus25.9.3 of this Standard apply to each disclosing entity (subject to parent entity relief) that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act. However, paragraphs Aus25.2 to Aus25.6 and Aus25.7.1 and Aus25.7.2 of this Standard do not apply to disclosing entities that are companies. The disclosures required of disclosing entities by paragraphs Aus25.2 to Aus25.9.3 are in addition to those required by paragraphs 1 to 22.

BASIS FOR CONCLUSIONS

The Basis for Conclusions accompanies, but is not part of, AASB 2008-X.

Background

- BC1 This Basis for Conclusions summarises the Australian Accounting Standards Board's considerations in reaching the conclusions in ED 162 *Proposed Amendments to Key Management Personnel Disclosures by Disclosing Entities*.

Significant Issue

- BC2 As a result of the amendments to section 300A of the *Corporations Act 2001* and Regulation 2M.3.03 in 2007, companies are required to report remuneration information in the remuneration report in accordance with the Corporations Act and Regulation 2M.3.03. The same remuneration information is required in the financial statements in accordance with AASB 124 *Related Party Disclosures* paragraphs Aus25.2 to Aus25.7.2.
- BC3 Corporations Act Regulation 2M.6.04 permitted listed companies to avoid making the same disclosures twice. The Corporations Amendment regulations 2007 (No. 2) has removed that regulation.
- BC4 The Board considers that disclosing entities that are companies should be relieved from complying with the paragraphs in AASB 124 that have been included in the Corporations Act and Regulation 2M.3.03 otherwise each disclosing entity that is a company would be required to disclose this information twice – in its remuneration report and in its financial statements.