

Proposals to Harmonise Australian and New Zealand Standards in Relation to Entities Applying IFRSs as Adopted in Australia and New Zealand

Prepared by the
Australian Accounting Standards Board
and by the
**Financial Reporting Standards Board of the
New Zealand Institute of Chartered Accountants**

Comments by 8 October 2010



Australian Government
Australian Accounting Standards Board

Financial Reporting Standards Board
of the New Zealand Institute of Chartered Accountants

Commenting on this Exposure Draft

Comments on this Exposure Draft are requested by 8 October 2010. Comments should be addressed to either the Australian Accounting Standards Board or the Financial Reporting Standards Board of the New Zealand Institute of Chartered Accountants¹, as follows:

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All submissions received will be considered by both Boards.

It would be appreciated if respondents send their submissions in electronic form (preferably in Microsoft Word format) as that allows for the efficient collation and analysis of comments. Submissions will be made available to the public unless otherwise requested.

All non-confidential submissions to the AASB and the FRSB will be made available on the AASB website: www.aasb.gov.au.

Respondents are requested to indicate on their submission on whose behalf (for example, own behalf, a group of people or an entity) the submission is being made.

All submissions on proposed or existing financial reporting requirements, or on the standard-setting process, will be placed on the public record unless the Chairman of the AASB and the Chairman of the FRSB agrees to those submissions being treated as confidential. The latter will only occur if the public interest warrants such treatment.

Obtaining a Copy of this Exposure Draft

This Exposure Draft is available on the AASB website (www.aasb.gov.au) and the NZICA website (www.nzica.com).

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PREFACE

Background

Australian Accounting Standards

The Australian Accounting Standards Board (AASB) makes Australian Accounting Standards, including Interpretations, 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; and
- (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.

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

Australian Accounting Standards also include requirements that are specific to Australian entities. These requirements may be located in Australian Accounting Standards that incorporate IFRSs or in other Australian Accounting Standards. 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 considers the requirements of International Public Sector Accounting Standards (IPSASs), as issued by the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC).

Private sector for-profit entities complying with Australian Accounting Standards will simultaneously comply with IFRSs. Many other entities complying with Australian Accounting Standards will also simultaneously comply with IFRSs.

New Zealand Financial Reporting Standards

The Financial Reporting Standards Board (FRSB) of the New Zealand Institute of Chartered Accountants develops financial reporting standards which it submits to the Accounting Standards Review Board (ASRB) for approval. The ASRB reviews and, if it thinks fit, approves financial reporting standards submitted to it for the purposes of:

- (a) the Financial Reporting Act 1993;
- (b) the Crown Entities Act 2004;
- (c) the Public Finance Act 1989;
- (d) the Local Government Act 2002; or
- (e) any Act that requires a person to comply with the Financial Reporting Act as if that person were a reporting entity.

These and other Acts specify the financial reporting requirements for reporting entities including profit-oriented and public benefit entities.

New Zealand generally accepted accounting practice (NZ GAAP) is defined in the Financial Reporting Act 1993 to mean compliance with:

- applicable financial reporting standards; and
- where there is no applicable financial reporting standard or rule of law, accounting policies that are appropriate to the circumstances of the reporting entity and have authoritative support within the accounting profession in New Zealand.

For entities required to comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRSs), NZ GAAP comprises NZ IFRSs and particular New Zealand Financial Reporting Standards (FRSs).

NZ IFRSs are based on Standards and Interpretations issued by the IASB and may include requirements that are specific to New Zealand entities. In most instances, these requirements are either restricted to public benefit entities or include additional disclosures that address domestic, regulatory or other issues. In developing requirements for public benefit entities, the FRSB also considers the requirements of IPSASs, as issued by the IPSASB of the IFAC.

Profit-oriented entities complying with full NZ IFRSs (that is, profit-oriented entities that do not avail themselves of any differential reporting concessions) and specific FRSs (such as those FRSs covering prospective financial statements and summary financial statements) will simultaneously comply with IFRSs.

Public benefit entities applying NZ IFRSs may not be in compliance with IFRSs in circumstances where public benefit entity considerations have led to requirements that are inconsistent with corresponding IFRS requirements.

Qualifying entities applying differential reporting concessions may not be in compliance with IFRSs. Qualifying entities can elect to comply with the requirements of IFRSs in order to assert compliance with IFRSs.

Exposure Drafts

The publication of an Exposure Draft is part of the due process that the AASB and the FRSB both follow before making a new standard or amending an existing standard. Exposure Drafts are designed to seek public comment on proposals for new standards or amendments to existing standards.

Reasons for Issuing this Exposure Draft

Introduction

The AASB and the FRSB have issued this Exposure Draft of proposals to harmonise Australian and New Zealand financial reporting standards based on IFRSs for the purpose of eliminating many of the differences between the Standards in each jurisdiction relating to for-profit entities applying IFRSs as adopted in Australia and New Zealand.

The proposals in this Exposure Draft have been sourced from 'All Entity' and 'Profit-Oriented Entity' paragraphs. Australian paragraphs relating specifically to not-for-profit entities have not been addressed in this Exposure Draft. New Zealand paragraphs relating specifically to public benefit entities or qualifying entities have not been addressed in this Exposure Draft.

'All Entity' paragraphs that are the subject of a proposed amendment in this Exposure Draft would also affect reporting entities other than for-profit entities where they apply those paragraphs. In Australia this includes not-for-profit entities and in New Zealand this includes public benefit entities and qualifying entities.

Both Australia and New Zealand have adopted financial reporting standards based on IFRSs. However, on transition to IFRSs each jurisdiction independently modified the source IFRSs for reasons relevant to that jurisdiction. Certain aspects of IFRSs as adopted in Australia are not the same as IFRSs as adopted in New Zealand. Partly as a result of direct initiatives of the AASB and the FRSB and partly as a result of the Joint Prime Ministerial Statement of Intent and the Single Economic Market Outcome Proposals issued in August 2009, the Boards initiated this project aimed at achieving converged standards in respect of for-profit entities applying full Australian or New Zealand standards.

Outcome Proposals in Respect of the Single Economic Market Initiative

On 20 August 2009 Prime Ministers Kevin Rudd and John Key held their fourth bilateral meeting in Canberra during Prime Minister Key's official visit to Australia.

The Prime Ministers agreed on the imperative for continued strong and coordinated international action to restore confidence and global economic growth. They recognised that strengthened trans-Tasman economic integration, including through the Single Economic Market Outcomes Proposals, would be vital for both countries.

Following their meeting Prime Ministers Rudd and Key issued a Joint Statement of Intent which outlined a range of trans-Tasman outcome proposals, the benefits to be achieved or problems to be solved, and the relevant timeframes.

The specific outcome proposals relevant to this project relate to enabling for-profit entities to prepare only one set of financial statements that would be recognised in both jurisdictions. The Joint Statement of Intent noted that such an outcome would allow for a reduction in compliance costs for entities operating across the Tasman and it would support trans-Tasman investment through the consistency of financial statements.

Timeframe

The AASB and FRSB propose the following timeframe for completion of this stage of the project:

- (a) Exposure Draft issued on 8 July 2010
- (b) Three month comment period ends on 8 October 2010
- (c) Effective date of proposals – periods beginning on or after 1 July 2011.

Main Features of this Exposure Draft

This Exposure Draft contains the following information:

- (a) the proposed amendments to Australian and New Zealand financial reporting standards, including:
 - (i) the paragraphs proposed to be deleted, added or aligned to harmonise requirements; and
 - (ii) the paragraphs proposed to be relocated to a new Australian disclosure standard and a new New Zealand disclosure standard;
- (b) a summary of the Australian and New Zealand standards that are addressed in this Exposure Draft and the subject of amendments (Appendix A); and
- (c) a summary of the Australian and New Zealand standards that are not addressed in this Exposure Draft, and the rationale for not addressing them (Appendix B).

Structure of the Exposure Draft

This Exposure Draft includes a chapter for each standard where there is a proposed action. Each chapter includes:

- (a) an explanation of each proposed amendment;
- (b) the paragraphs of the standard that are affected by the proposed amendment;
- (c) the significance of each proposed amendment and a specific Basis for Conclusions, if applicable; and
- (d) the proposed effective date of the proposed amendment.

Main Proposals of the Exposure Draft

This Exposure Draft proposes various amendments to Australian and New Zealand standards, which vary in terms of their likely significance to constituents and potential impact on practice.

The main proposals of this Exposure Draft are:

- (a) the proposal by the AASB (pages 19-21) to include the discussion of the true and fair over-ride in IAS 1 *Presentation of Financial Statements* that is not currently in AASB 101 *Presentation of Financial Statements*;
- (b) the proposal by the AASB (pages 21-22) and the FRSB (page 29) to harmonise and simplify the audit fee disclosure requirements in AASB 101 and NZ IAS 1 *Presentation of Financial Statements* and include them in the separate disclosure standards;
- (c) the proposal by the AASB (pages 22-23) and the FRSB (page 39) to harmonise and simplify the imputation credits disclosure requirements under AASB 101 and NZ IAS 12 *Income Taxes* and include them in the separate disclosure standards;
- (d) the proposal by the FRSB (pages 33-34) to introduce the option in IAS 7 *Statement of Cash Flows* to use the indirect method of reporting cash flows that is not currently in NZ IAS 7 *Statement of Cash Flows*;
- (e) the proposal by the FRSB (pages 40-41) to remove the independent valuation disclosure requirements and the requirement to use an independent valuer that are currently in NZ IAS 16 *Property, Plant and Equipment*;
- (f) the proposal by the FRSB (pages 51-55) to introduce the option in IAS 40 *Investment Property* to account for investment property using the cost model that is not currently in NZ IAS 40 *Investment Property*; and
- (g) the proposal by the FRSB (pages 55-56) to remove the independent valuation disclosure requirements and the requirement to use an independent valuer that are currently in NZ IAS 40.

Principles Adopted in Determining the Proposals in this Exposure Draft

The purpose of this Exposure Draft is to propose the elimination of many of the differences between Australian and New Zealand standards in order to achieve trans-Tasman harmonisation, rather than to reconsider the relevance of the original rationale for the modifications from IFRSs.

To support the harmonisation objective the AASB and the FRSB developed the following working principles for determining the harmonisation proposals in this Exposure Draft:

- (a) where a paragraph in a source IFRS was deleted or amended by either jurisdiction, it is proposed that the original source IFRS paragraph be included; and
- (b) where a jurisdiction had inserted an additional requirement that was not contained in a source IFRS:
 - (i) it is proposed that the additional requirement be deleted; or
 - (ii) if the requirement is considered to be of such importance that it cannot be deleted, it is proposed that the additional requirement and any associated paragraph(s) be relocated to the proposed separate disclosures standards AASB ED 200B / FRSB ED 122 *Proposed Separate Disclosure Standards* (July 2010); and in the resultant separate disclosure standards:
 - A. items that have been relocated have been harmonised where the nature of those items is similar in each jurisdiction; or
 - B. items in one jurisdiction that could not be harmonised and could not be adopted by the other jurisdiction, are proposed to be retained by the original jurisdiction as a separate requirement for that jurisdiction.

Alignment

Deletion

Relocation & Harmonisation

Relocation

The shaded bars on the right indicate the proposed action in relation to each paragraph considered by the AASB and FRSB in this Exposure Draft.

Consistent with the above approach, this Exposure Draft uses underlining and striking out to identify the amendments made to the paragraphs of the relevant Australian/New Zealand standards, in order to make the amendments understandable. The final paragraphs of the relevant Australian/New Zealand standards or the separate disclosure standards will not

include that underlining or striking out. The underlining and striking out used in the proposed amendments is consistent with the principles adopted in determining the proposals:

- (a) where a requirement is proposed to be amended for alignment with IFRSs, the proposed deleted text is struck through and the proposed new text is underlined;
- (b) where a requirement is proposed to be deleted, the proposed deleted text is struck through; and
- (c) where a requirement is proposed to be relocated to the separate disclosure standards and:
 - (i) there is no change to the wording, the proposed relocated text is struck through and included in the separate disclosure standard; or
 - (ii) the requirement is harmonised with the equivalent requirement of the other jurisdiction, the proposed relocated text is struck through and the harmonised text is included in the separate disclosure standard.

Separate Disclosure Standards

The AASB and the FRSB propose to relocate any remaining disclosure requirements that are in addition to requirements in IFRSs to separate disclosure standards. The Boards' intention is to ensure that each topic-based standard is as close as feasible to the equivalent IFRS. This is a departure from the Boards' current practice, which is to locate such additional requirements within each standard relevant to the topic of the disclosures.

Specific Bases for Conclusions

Where the AASB and FRSB consider that it is relevant to provide a Basis for Conclusions to support a proposed action, a specific Basis for Conclusions has been included in this Exposure Draft. These Bases for Conclusions are included in this Exposure Draft for the information of readers and will not necessarily be retained in the final pronouncement(s).

Where it is proposed that a requirement be deleted, the Basis for Conclusions related to that item is contained in this Exposure Draft. Where it is proposed that a requirement be relocated to the proposed separate disclosures standard, the accompanying Basis for Conclusions is contained in AASB ED 200B / FRSB ED 122.

Issues not Considered at this Time

The AASB and FRSB have deferred consideration of the harmonisation of requirements in some standards, as well as the reporting requirements for public benefit entities and not-for-profit entities, to a later phase of the project. The Boards are keen to first address differences from IFRSs and between Australian and New Zealand standards as they apply to for-profit entities on the basis that such entities are those that are most likely to wish to claim compliance with IFRSs and trade across the Tasman.

Standards with Projects in Progress

In some cases, the AASB and FRSB have decided to defer considering the harmonisation of a requirement that is the subject of a current AASB, FRSB or IASB project until after the completion of that project. This is on the basis that the issue may be resolved as part of that project and that, in some cases, the current project may result in a change to an IFRS that is the same or similar to the existing modification in the relevant New Zealand or Australian standard. The AASB and FRSB consider it impractical to propose amendments to standards which may be impacted by current projects in the near term.

The AASB and the FRSB have compiled a list of standards that are not addressed by this Exposure Draft and provided supporting reasons for not considering alignment of these standards at this time (see Appendix B on page 64 of this Exposure Draft).

Harmonisation in Future Phases of the Project

Harmonisation of requirements is proposed to occur in phases. The first phase, and the focus of this Exposure Draft, is harmonisation of Australian and New Zealand standards as they apply to for-profit entities that assert compliance with IFRSs. ‘All Entity’ paragraphs that are the subject of a proposed amendment in this Exposure Draft would also affect reporting entities other than for-profit entities where they apply those paragraphs. In Australia this includes not-for-profit entities and in New Zealand this includes public benefit entities and qualifying entities. In addition to the proposals in this Exposure Draft, the AASB and FRSB have committed to ongoing consideration of opportunities for further convergence of Australian and New Zealand standards.

Future project phases will consider the options for harmonising:

(a) Differential reporting / qualifying entities

Other than the proposals in this Exposure Draft, the AASB and FRSB have agreed to defer convergence of the differential reporting / qualifying entity requirements in each jurisdiction subject to the outcome of (i) the AASB’s revision of its differential reporting framework and (ii) the New Zealand Ministry of Economic Development and ASRB’s review of various aspects of the New Zealand statutory framework for financial reporting.

(b) Not-for-profit / public benefit entities

The reasons for having modified IFRSs in respect of not-for-profit / public benefit entities are different from the more general modifications dealt with in this Exposure Draft. In addition, the financial reporting requirements applying to public benefit entities in New Zealand are currently under review by the Ministry of Economic Development and ASRB. Furthermore, the AASB and FRSB have recently introduced a Process for Modifying IFRSs for NFP/PBE and are gaining experience with its use. Accordingly, consideration of not-for-profit / public benefit entities modifications will be dealt with in another phase.

Application Date

The AASB and the FRSB propose that the amendments proposed in this Exposure Draft would be applicable for reporting periods beginning on or after 1 July 2011, and that the amendments to a specific standard may be adopted early, on a piecemeal basis.

If an entity were to elect to early adopt any proposed requirements in this Exposure Draft, it is proposed that the entity would also need to early adopt any related items in AASB ED 200B / FRSB ED 122.

Request for Comments

Comments are invited on any or all of the proposals in this Exposure Draft by 8 October 2010.

The AASB and the FRSB particularly welcome answers to the questions set out below. Comments are most helpful if they:

- (a) answer the question as stated;
- (b) indicate the specific paragraph or paragraphs to which they relate;
- (c) contain a clear rationale; and
- (d) describe any alternative the AASB or FRSB should consider.

Specific Matters for Comment

Note to readers: To answer the following questions, it is necessary to read AASB ED 200B / FRSB ED 122 in conjunction with this Exposure Draft.

Questions Applicable to All Proposals

The Boards would particularly value comments on the following aspects.

- (a) Do you agree with the concept of harmonising the reporting requirements in Australia and New Zealand in relation to for-profit entities applying IFRSs as adopted in Australia and New Zealand?
- (b) Should the retained additional disclosures be contained in a separate disclosure standard (as proposed) or contained with each Standard relevant to the topic of the disclosures (which is the current practice)?
- (c) Do you agree with the specific proposals in this Exposure Draft regarding alignments, deletions, relocations and relocation and harmonisations? Please provide reasons supporting your response.
- (d) Which of the disclosures proposed to be included in separate disclosure standards AASB ED 200B / FRSB ED 122 should be required of entities applying differential reporting requirements, namely:
 - (i) in Australia, the proposed Reduced Disclosure Requirements for general purpose financial statements; and
 - (ii) in New Zealand, qualifying entities. Please provide reasons for your response.
- (e) Are there any regulatory issues or other issues arising in the Australian or New Zealand environment that may affect the implementation of the proposals? Please provide reasons for your response.
- (f) Do you consider that the proposed amendments are in the best interests of users of general purpose financial statements of entities in Australia and New Zealand? Please provide reasons for your response.

Questions Applicable to Specific Proposals

The Boards would particularly value comments on the following.

- (a) The Boards note that the proposed auditor remuneration disclosure requirements in AASB ED 200B / FRSB ED 122 are simplified and do not include the existing requirement in AASB 101 *Presentation of Financial Statements* in respect of 'related practice'. Do you agree with the Boards' proposals?

- (b) In relation to the proposed deletion of paragraph Aus7.1 of Interpretation 113 *Jointly Controlled Entities – Non-monetary Contributions by Venturers*, if this causes an entity to change its accounting policy, do you agree that it should be applied retrospectively?

Other Questions

Although not dealt with in this Exposure Draft, the AASB is taking the opportunity to seek constituent views on whether it should retain disclosure requirements (AASB 124 *Related Party Disclosures* paragraphs Aus25.2 to Aus25.6, Aus25.7.1 and Aus25.7.2) related to the compensation of individual key management personnel of managed investment schemes that are disclosing entities.

Guidelines for Respondents

Respondents do not need to comment on all of the proposed amendments in this Exposure Draft or all of the proposed additional disclosure requirements in AASB ED 200B / FRSB ED 122 or all of the questions.

The AASB and FRSB will consider all comments received in writing by 8 October 2010. In considering the comments, the AASB and FRSB will base their conclusions on the merits of the arguments for and against each proposal, not on the number of respondents supporting or opposing each proposal.

It would be appreciated if respondents send their submissions in electronic form (preferably in Microsoft Word format) as this allows for the efficient collation and analysis of comments. All submissions will be made available to the public unless otherwise requested.

Respondents are requested to indicate, on their submission, on whose behalf (for example, own behalf, a group of people or an entity) the submission is being made.

**AASB EXPOSURE DRAFT ED 200A
FRSB EXPOSURE DRAFT ED 121**

***PROPOSALS TO HARMONISE AUSTRALIAN AND NEW ZEALAND
STANDARDS IN RELATION TO ENTITIES APPLYING IFRSs AS
ADOPTED IN AUSTRALIA AND NEW ZEALAND***

***Proposal to Harmonise AASB 1 First-time Adoption of Australian
Accounting Standards***

Introduction

The AASB proposes the following amendment to AASB 1 *First-time Adoption of Australian Accounting Standards*.

Explanatory guidance relating to the initial application of the Standard

The AASB proposes to delete paragraph Aus3.1.

Proposed amendment

Explanatory guidance relating to the initial application of the Standard

~~Aus3.1—The conditions specified in paragraph 3 for the application of this Standard are satisfied when the first financial statements after this Standard becomes effective contain a statement that the financial statements comply with Australian Accounting Standards, in accordance with paragraph Aus15.2 of AASB 101.~~

Deletion

Effective date and transition

An entity shall apply this amendment for annual reporting periods beginning on or after 1 July 2011. Earlier application is permitted. If an entity applies this amendment for an earlier period it shall disclose that fact.

Significance of amendment

The deletion of explanatory guidance relating to the initial application of the Standard is not expected to affect practice.

Proposal to Harmonise AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*

Introduction

The AASB proposes the following amendment to AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Restatement of Comparative Information

The AASB proposes to delete paragraph Aus1.8.

Proposed amendment

Restatement of comparative information

~~**Aus1.8** — A requirement in an Australian Accounting Standard to restate comparative information does not, of itself, give rise to a requirement to replace the original financial statements for the preceding period.~~

Deletion

Effective date and transition

An entity shall apply this amendment for annual reporting periods beginning on or after 1 July 2011. Earlier application is permitted. If an entity applies this amendment for an earlier period it shall disclose that fact.

Significance of amendment

The deletion of explanatory guidance relating to the restatement of comparative information is not expected to affect practice.

Proposals to Harmonise AASB 101 *Presentation of Financial Statements*

Introduction

The AASB proposes the following amendments to AASB 101 *Presentation of Financial Statements*.

Definitions with specified meanings

The AASB proposes to delete some of the definitions currently contained in paragraph Aus7.1 and relocate the remaining definitions to a separate disclosure standard.

Additional guidance relating to true and fair view

The AASB proposes to delete paragraph Aus15.1.

Compliance with Australian Accounting Standards

The AASB proposes to relocate paragraph Aus15.2 to a separate disclosure standard and to reword it to harmonise with the equivalent New Zealand requirement.

Disclosure of the statutory basis

The AASB proposes to relocate paragraph Aus15.3 to a separate disclosure standard and to reword it to harmonise with the equivalent New Zealand requirement.

Disclosure of GPFS or SPFS

The AASB proposes to relocate paragraph Aus15.4 to a separate disclosure standard.

Limited unreserved statement of compliance

The AASB proposes to delete paragraph Aus16.1.

True and fair over-ride

The AASB proposes to partially amend paragraph 17 and to add paragraphs 19, 20, 21 and 22 from IAS 1 *Presentation of Financial Statements* with accompanying footnotes to align with IFRSs.

Presentation in English

The AASB proposes to delete paragraph Aus50.1.

Audit fee disclosures

The AASB proposes to relocate the disclosures relating to audit fees in paragraphs Aus138.1 and Aus138.2 to a separate disclosure standard and to reword them to harmonise with the equivalent New Zealand disclosures.

Imputation credit disclosures

The AASB proposes to relocate the disclosures relating to imputation credits in paragraphs Aus138.3 to Aus138.5 to a separate disclosure standard and to reword them to harmonise with the equivalent New Zealand disclosures.

Commitments disclosures

The AASB proposes to delete paragraph Aus138.6.

Proposed amendments

Definitions with specified meanings²

~~Aus7.1—The following terms are also used in this Standard with the meanings specified.~~

~~*Annual reporting period* means the financial year or similar period to which annual financial statements relate.~~

~~*Entity* means any legal, administrative, or fiduciary arrangement, organisational structure or other party (including a person) having the capacity to deploy scarce resources in order to achieve objectives.~~

~~*Related practice* means in relation to the auditor's practice:~~

- ~~(a) an entity through which an auditor provides professional services to clients and that has one or more partners or directors in common with the auditor's practice; or~~
- ~~(b) an entity that is owned by the relatives of one or more partners of the auditor's practice and that shares fees or profits with the auditor's practice in respect of the entity that is subject to the financial reporting obligation; or~~
- ~~(c) any other entity that shares fees or profits with the auditor's practice in respect of the entity that is subject to the financial reporting obligation.~~

~~*Special purpose financial statements* (referred to as 'financial statements') are financial statements other than general purpose financial statements.~~

Relocation

Deletion

Relocation

Significance of amendment

The definition of 'entity' would be deleted for alignment with IAS 1 *Presentation of Financial Statements*. The definition of 'related practice' would no longer be needed due to the proposals to simplify audit fee disclosure requirements. The deletion of the definition of 'entity' and the relocation of definitions of 'annual reporting period' and 'special purpose financial statements' are not expected to affect practice.

² Those parts of this paragraph that refer to 'special purpose financial reporting' may subsequently change as a result of the outcome of ED 192 *Revised Differential Reporting Framework*.

Additional guidance relating to true and fair view

~~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.~~

Deletion

Significance of amendment

The deletion of additional guidance relating to the Corporations Act requirement to give a true and fair view is not expected to affect practice.

Compliance with Australian Accounting Standards

~~Aus15.2—An entity shall disclose in the notes a statement whether the financial statements have been prepared in accordance with Australian Accounting Standards.~~

Relocation & Harmonisation

Significance of amendment

The relocation and harmonisation of the disclosure requirement relating to asserting compliance with Australian Accounting Standards for alignment with the equivalent New Zealand disclosure requirement involves editorial changes and is not expected to affect practice.

Disclosure of the statutory basis

~~Aus15.3—The financial reporting framework applied in the preparation of the financial statements is identified in the summary of accounting policies so that users understand the basis on which the financial statements has been prepared. In addition to stating whether the financial statements have been prepared in accordance with Australian Accounting Standards, it may also be appropriate to indicate the relevant statutory and other requirements adopted in the preparation of the financial statements.~~

Relocation & Harmonisation

Significance of amendment

The relocation and harmonisation of the disclosure requirements relating to the statutory basis of the preparation of financial statements for alignment with the equivalent New Zealand disclosure requirements would increase disclosures required by some entities.

Disclosure of GPFs or SPFS

~~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.~~

Relocation

Significance of amendment

The relocation of the disclosure requirement relating to GPFs or SPFSs is not expected to affect practice.

Limited unreserved statement of compliance

~~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 statements and notes it relates.~~

Deletion

Significance of amendment

The deletion of explanatory guidance relating to the explicit and unreserved statement of compliance is not expected to affect practice.

True and fair over-ride

17 In virtually all circumstances, an entity achieves a fair presentation by compliance with applicable full IFRSs as adopted in Australia or the Reduced Disclosure Requirements. A fair presentation also requires an entity:

- (a) to select and apply accounting policies in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. AASB 108 sets out a hierarchy of authoritative guidance that management considers in the absence of an Australian Accounting Standard that specifically applies to an item;
- (b) to present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- (c) to provide additional disclosures when compliance with the specific requirements in Australian Accounting Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Alignment

- 19*** 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*, the entity shall depart from that requirement in the manner set out in paragraph 20 if the relevant regulatory framework requires, or otherwise does not prohibit, such a departure.
- 20*** When an entity departs from a requirement of an Australian Accounting Standard in accordance with paragraph 19, it shall disclose:
- (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 applicable full IFRSs as adopted in Australia or the Reduced Disclosure Requirements, except that it has departed from a particular requirement to achieve a fair presentation;
 - (c) the title of the Australian Accounting Standard from which the entity has departed, the nature of the departure, including the treatment that the Australian Accounting Standard 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 the *Framework*, and the treatment adopted; and
 - (d) for each period presented, the financial effect of the departure on each item in the financial statements that would have been reported in complying with the requirement.
- 21*** When an entity has departed from a requirement of an Australian Accounting Standard 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 20(c) and (d).
- 22*** Paragraph 21 applies, for example, when an entity departed in a prior period from a requirement in an Australian Accounting Standard for the measurement of assets or liabilities and that departure affects the measurement of changes in assets and liabilities recognised in the current period's financial statements.

* Entities required to prepare financial statements in accordance with the *Corporations Act 2001* must apply the applicable accounting standards as the true and fair over-ride is not available to these entities.

Significance of amendment

The inclusion of the true and fair override would require entities to depart from Australian Accounting Standards when it is necessary to achieve a true and fair view and would, in rare circumstances, significantly affect entities that prepare general purpose financial statements other than entities reporting in accordance with the *Corporations Act 2001*.

Specific Basis for Conclusions

- BC1 The AASB proposes to reinstate the true and fair over-ride contained in paragraphs 19, 20, 21 and 22 of IAS 1 to align with IFRSs.
- BC2 The AASB's earlier decision to delete paragraphs 19-22 of IAS 1 was attributable to the Australian regulatory environment not permitting the true and fair over-ride for entities preparing financial statements under the *Corporations Act 2001*. Under section 297 of the *Corporations Act 2001*, in cases where the financial statements and notes prepared in compliance with the Australian Accounting Standards would not give a true and fair view, the entity must still comply with Australian Accounting Standards but is required to provide additional information in the notes to the financial statements when the directors consider presentation in accordance with accounting standards does not give a true and fair view.
- BC3 The AASB decided to propose including the IAS 1 references to the true and fair over-ride and to include a footnote to inform entities preparing financial statements in accordance with the Corporations Act that the true and fair over-ride is not available to them.

Requirement to present in English

~~Aus50.1 — The financial statements shall be presented in the English language.~~

Deletion

Significance of amendment

The deletion of the requirement for financial statements to be presented in English is not expected to affect practice.

Audit fee disclosures

~~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.~~

Relocation & Harmonisation

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 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.~~

Significance of amendment

The relocation and harmonisation of the disclosure requirements relating to audit fees for alignment with the equivalent New Zealand disclosure requirements would reduce the disclosures required of some entities.

Imputation credit disclosures

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.~~

Significance of amendment

The relocation and harmonisation of the disclosure requirements relating to imputation credits for alignment with the equivalent New Zealand disclosure requirements would reduce the disclosures required of some entities.

Commitments disclosures

~~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.~~

Significance of amendment

The deletion of the disclosure requirement relating to capital and expenditure commitments would reduce the disclosures required of some entities.

Effective date and transition³

An entity shall apply these amendments for annual reporting periods beginning on or after 1 July 2011. Earlier application is permitted. If an entity applies these amendments for an earlier period it shall disclose that fact.

³ Where an entity elects to early adopt any proposal contained in this Exposure Draft, it is proposed that the entity would also need to early adopt any related items in the proposed disclosure standard from the same period.

Proposals to Harmonise NZ IAS 1 *Presentation of Financial Statements*

Introduction

The FRSB proposes the following amendments to NZ IAS 1 *Presentation of Financial Statements*.

Definitions relating to the Statement of Service Performance

The FRSB proposes to relocate some of the definitions currently contained in paragraph NZ 8.1 to a separate disclosure standard.

Presentation of a financial report

The FRSB proposes to delete paragraph NZ 14.1.

Disclosure of the statutory basis

The FRSB proposes to relocate paragraph NZ 15.1 to a separate disclosure standard and to harmonise with the equivalent Australian requirement.

Compliance with the Financial Reporting Act

The FRSB proposes to delete paragraph NZ 15.2.

Compliance with NZ IFRSs

The FRSB proposes to relocate paragraph NZ 15.3 to a separate disclosure standard.

True and fair over-ride

The FRSB proposes to retain paragraphs NZ 19.1 and NZ 19.2 as a footnote within NZ IAS 1.

Prospective financial statements

The FRSB proposes to relocate paragraphs NZ 46.1 and NZ 46.2 to a separate disclosure standard.

Audit fee disclosures

The FRSB proposes to relocate paragraph NZ 105.1 to a separate disclosure standard and to harmonise with the equivalent Australian requirements.

Disclosure of donations

The FRSB proposes to delete paragraph NZ 105.2.

Presentation order of certain disclosures

The FRSB proposes to delete paragraph NZ 114.1.

Elements in the Statement of Service Performance

The FRSB proposes to relocate paragraphs NZ 138.1, NZ 138.2, NZ 138.3, NZ 138.4, NZ 138.5, NZ 138.6, NZ 138.7, NZ 138.8, NZ 138.9 and NZ 138.10 to a separate disclosure standard.

Proposed amendments

Definitions relating to the Statement of Service Performance

~~NZ 8.1—The following terms are used in this Standard with the meanings specified:~~

~~*Inputs* are the resources used to produce the goods and services which are the outputs of the entity.~~

~~*New Zealand equivalents to International Financial Reporting Standards (NZ IFRSs)* are Standards and Interpretations approved by the Accounting Standards Review Board (ASRB) comprising New Zealand equivalents to:~~

- ~~(a) International Financial Reporting Standards;~~
- ~~(b) International Accounting Standards; and~~
- ~~(c) International Interpretations.~~

~~*Outcomes* are the impacts on, or consequences for, the community resulting from the existence and operations of the entity.~~

~~*Outputs* are the goods and services produced by the entity.~~

Relocation

Relocation

Significance of amendment

The relocation of the definitions of 'inputs', 'outcomes' and 'outputs' is not expected to affect practice.

Presentation of a financial report

~~NZ 14.1—Financial statements may be published as part of a financial report which includes financial statements, non-financial statements such as statements of service performance and supplementary information which is additional to the information in financial and non-financial statements.~~

Deletion

Significance of amendment

The deletion of explanatory guidance relating to the presentation of a financial report is not expected to affect practice.

Disclosure of the statutory basis

NZ 15.1—An entity shall disclose in the notes:

- ~~(a) the statutory base, if any, under which the financial statements are prepared;~~
- ~~(b) whether, for the purposes of complying with Generally Accepted Accounting Practice in New Zealand (NZ GAAP), it is a profit-oriented or public benefit entity;~~
- ~~(c) if, for the purposes of complying with NZ GAAP, it is a qualifying entity and has applied differential reporting concessions. In accordance with NZ IAS 8, such an entity shall disclose the criteria which establish the entity as a qualifying entity for differential reporting and the extent to which the entity has applied available differential reporting concessions; and~~
- ~~(d) a statement that the financial statements have been prepared in accordance with NZ GAAP, together with a description of the financial reporting standards applied by the entity.~~

Significance of amendment

The relocation of the disclosure requirement relating to the nature of the reporting entity for harmonisation with the equivalent Australian disclosure requirement involves editorial changes and is not expected to affect practice.

Compliance with the Financial Reporting Act

~~NZ 15.2—A number of entities are required by legislation (for example, the Financial Reporting Act 1993 and the Public Finance Act 1989) to prepare general purpose financial statements that comply with GAAP. The legislative definitions of GAAP in these Acts refer to financial reporting standards which have been approved by the ASRB. Financial reporting standards approved by the ASRB include NZ IFRSs, and other Financial Reporting Standards. NZ IFRSs contain requirements and guidance specific to certain types of entities and provide concessions in relation to entities qualifying for differential reporting. An entity asserting compliance with NZ GAAP therefore needs to describe for readers the financial reporting standards that have been applied by the entity. For example:~~

- ~~(a) a profit-oriented entity not applying differential reporting concessions would state: “The financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRSs, and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities”;~~
- ~~(b) a public benefit entity not applying differential reporting concessions would state: “The financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRSs, and other applicable Financial Reporting Standards, as appropriate for public benefit entities”;~~
~~and~~

~~(e) an entity qualifying for differential reporting and applying differential reporting concessions would state: “The financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRSs and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities/public benefit entities that qualify for and apply differential reporting concessions”.~~

Deletion

Significance of amendment

The deletion of the guidance relating to asserting compliance with the *Financial Reporting Act 1993* is not expected to affect practice.

Compliance with NZ IFRSs

~~NZ 15.3 An entity shall not assert compliance with NZ IFRSs, and other applicable Financial Reporting Standards, as appropriate for that entity unless the financial statements comply with all the relevant requirements of those standards.~~

Relocation & Harmonisation

Significance of amendment

The relocation of the disclosure requirement relating to asserting compliance with NZ IFRSs for harmonisation with the equivalent Australian disclosure requirement involves editorial changes and is not expected to affect practice.

True and fair over-ride

~~NZ 19.1— The Financial Reporting Act 1993 establishes the relevant regulatory framework for many entities in New Zealand. It is an example of a regulatory framework which prohibits departures from the requirements in an NZ IFRSs as described in paragraph 19. Where an entity is subject to the requirements of the Financial Reporting Act and considers that financial statements prepared in accordance with NZ IFRSs and applicable Financial Reporting Standards do not give a true and fair view of the matters to which they relate, an entity shall apply the requirements set out in paragraph 23 and disclose the information and explanations required by the Financial Reporting Act.~~

~~NZ 19.2— Entities which are required to prepare financial statements in accordance with a regulatory framework other than the Financial Reporting Act will need to ascertain whether that regulatory framework permits or prohibits departures from the requirements of NZ IFRSs in the circumstances described in paragraph 19.~~

Footnote

The Financial Reporting Act 1993 establishes the relevant regulatory framework for many entities in New Zealand. It is an example of a regulatory framework which prohibits departures from the requirements in NZ IFRSs as described in paragraph 19. Where an entity is subject to the requirements of the Financial Reporting Act and considers that financial statements prepared in accordance with NZ IFRSs and applicable Financial Reporting Standards do not give a true and fair view of the matters to which they relate, an entity shall apply the requirements set out in paragraph 23 and disclose the information and explanations required by the Financial Reporting Act.

Entities which are required to prepare financial statements in accordance with a regulatory framework other than the Financial Reporting Act will need to ascertain whether that regulatory framework permits or prohibits departures from the requirements of NZ IFRSs in the circumstances described in paragraph 19.

Significance of amendment

The relocation of the guidance relating to the true and fair over-ride to a footnote in NZ IAS 1 is not expected to affect practice.

Prospective financial statements

~~NZ 46.1—Where an entity has published general purpose prospective financial statements for the period of the financial statements, the entity shall present a comparison of the prospective financial statements with the historical financial statements being reported. Explanations for major variations shall be given.~~

NZ 46.2—Financial Reporting Standard No. 42 *Prospective Financial Statements* defines general purpose prospective financial statements. Legislative or other requirements may require a comparison with originally published information, the most recently published information, or both.

Relocation

Significance of amendment

The relocation of the guidance relating to prospective financial statements is not expected to affect practice.

Audit fee disclosures

~~NZ 105.1—An entity shall disclose, either on the face of the income statement or in the notes, fees to auditors, disclosing separately fees to:~~

- ~~(a)—each (if more than one) auditor of the parent entity for:
 - ~~(i)—audit fees being fees for the audit of the financial statements;~~
 - ~~(ii)—audit related fees being fees for assurance and related services that are reasonably related to the performance of the audit or review of the financial statements and are not reported under paragraph (a)(i). An entity shall describe the nature of the services comprising the fees disclosed under this category;~~
 - ~~(iii)—tax fees being fees for tax compliance, tax advice, and tax planning services. An entity shall describe the nature of the services comprising the fees disclosed under this category; and~~
 - ~~(iv)—all other fees being fees for services other than those reported in paragraphs (a)(i) through (a)(iii). An entity shall describe the nature of the services comprising the fees disclosed under this category; and~~~~
- ~~(b)—any other auditor(s) of entities in the group (not including the parent entity) for audit fees being fees for the audit of the financial statements.~~

Relocation & Harmonisation

Significance of amendment

The relocation of the disclosure requirements relating to audit fees for harmonisation with the equivalent Australian disclosure requirements would reduce the disclosures required of some entities.

Disclosure of donations

Deletion

~~NZ 105.2 An entity shall disclose, either on the face of the income statement or in the notes, the total amount of donations made.~~

Significance of amendment

The deletion of disclosure requirement relating to donations would reduce the disclosures required of some entities.

Presentation order of certain disclosures

Deletion

~~NZ 114.1 The disclosures required by paragraph NZ 15.1 will normally precede the items set out in paragraph 114.~~

Significance of amendment

The deletion of the guidance relating to the presentation order of certain disclosures is not expected to affect practice.

Elements in the Statement of Service Performance

~~NZ 138.1 Where a statement of service performance is presented it shall describe and disclose the outputs of an entity. Similar individual outputs may be aggregated.~~

~~NZ 138.2 This Standard refers to the statement in paragraph NZ 138.1 as a “statement of service performance”. The statement might, however, be differently named in legislation. The aim of such statements, by whatever name called, remains the providing of:~~

- ~~(a) narrative and statistics on the entity’s performance in supplying goods and services; and~~
- ~~(b) information on the effects on the community of the entity’s existence and operations.~~

~~NZ 138.3 An entity not required by legislation to prepare a statement of service performance is encouraged to include a statement of service performance in its financial statements where:~~

- ~~(a) the entity receives significant revenue intended to benefit third parties without giving reciprocal benefit or consideration to the party providing the revenue; or~~
- ~~(b) the entity has non-financial objectives of such importance that non-financial performance reporting is significant to users of the financial statements.~~

~~Public benefit entities are strongly encouraged to prepare a statement of service performance.~~

Relocation

~~NZ 138.4 The elements of service performance are inputs, outputs and outcomes. Where relevant and appropriate for users of the entity's financial report, each output disclosed in the statement of service performance is to be described in terms of the output's:~~

- ~~(a) quantity;~~
- ~~(b) quality;~~
- ~~(c) time; and~~
- ~~(d) location.~~

~~The cost of each output is to be described and disclosed.~~

~~NZ 138.5 The information used to describe service performance is to be selected so as to provide a complete description of delivery of each output (or aggregation of outputs) reported, but without undue emphasis on easily measured dimensions, and without resulting in an overload of only partially relevant statistics.~~

~~NZ 138.6 For each output disclosed in a statement of service performance, where practical and appropriate, the outcome(s) to which the output is intended to contribute is to be disclosed.~~

~~NZ 138.7 The statement of service performance shall present both projected service performance and actual service performance.~~

~~NZ 138.8 Projected service performance is described by presenting projected outputs at the beginning of the period which an entity aimed to produce by the end of the period. These projected outputs will often be derived from the annual or corporate plan.~~

~~NZ 138.9 To report the degree of success in achieving objectives, it is necessary to present both projected and actual results together with full disclosures of any changes in objectives during the period.~~

~~NZ 138.10 Actual and projected service performance are to be reported consistently with one another. The information is to be sufficiently specific for performance to be assessed.~~

Significance of amendment

The relocation of the guidance relating to the elements in the Statement of Service Performance is not expected to affect practice.

Effective date and transition⁴

An entity shall apply these amendments for annual reporting periods beginning on or after 1 July 2011. Earlier application is permitted. If an entity applies these amendments for an earlier period it shall disclose that fact.

⁴ Where an entity elects to early adopt any proposal contained in this Exposure Draft, it is proposed that the entity would also need to early adopt any related items in the proposed disclosure standard from the same period.

Proposal to Harmonise AASB 107 *Statement of Cash Flows*

Introduction

The AASB proposes the following amendment to AASB 107 *Statement of Cash Flows*.

Reconciliation of cash flows arising from operating activities to profit or loss

The AASB proposes to delete paragraph Aus20.1 .

Proposed amendment

Reconciliation of cash flows arising from operating activities to profit or loss

~~Aus20.1 When an entity uses the direct method, a reconciliation of cash flows arising from operating activities to profit or loss shall be disclosed in the complete set of financial statements.~~

Deletion

Significance of amendment

The deletion of the disclosure requirement relating to the reconciliation of cash flows arising from operating activities to profit or loss would reduce the disclosures required of some entities.

Effective date and transition

An entity shall apply this amendment for annual reporting periods beginning on or after 1 July 2011. Earlier application is permitted. If an entity applies this amendment for an earlier period it shall disclose that fact.

Proposals to Harmonise NZ IAS 7 *Statement of Cash Flows*

Introduction

The FRSB proposes the following amendments to NZ IAS 7 *Statement of Cash Flows*.

Reinstatement of the indirect method

The FRSB proposes to add paragraphs 18(b), 19 and 20 of IAS 7 *Statement of Cash Flows*.

Reconciliation of cash flows arising from operating activities to profit or loss

The FRSB proposes to delete paragraphs NZ 20.1 and NZ 20.2.

Reasons for the presentation of receipts and payments as a net cash flow

The FRSB proposes to delete paragraph NZ 24.1.

Proposed amendments

Reinstatement of the indirect method

- 18 An entity shall report cash flows from operating activities using either:
- (a) the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed; or
 - (b) ~~[Deleted—indirect method is not permitted in New Zealand.]~~ the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.
- 19 ~~[First sentence on indirect method deleted.]~~ Entities are encouraged to report cash flows from operating activities using the direct method. The direct method provides information which may be useful in estimating future cash flows and which is not available under the indirect method. Under the direct method, information about major classes of gross cash receipts and gross cash payments may be obtained either:
- (a) from the accounting records of the entity; or
 - (b) by adjusting sales, cost of sales (interest and similar income and interest expense and similar charges for a financial institution) and other items in the statement of comprehensive income for:
 - (i) changes during the period in inventories and operating receivables and payables;
 - (ii) other non-cash items; and
 - (iii) other items for which the cash effects are investing or financing cash flows.

Alignment

~~{Deleted in NZ IAS 7 – requirements relating to the indirect method are not applicable.}~~ Under the indirect method, the net cash flow from operating activities is determined by adjusting profit or loss for the effects of:

- (a) changes during the period in inventories and operating receivables and payables;
- (b) non-cash items such as depreciation, provisions, deferred taxes, unrealised foreign currency gains and losses, and undistributed profits of associates; and
- (c) all other items for which the cash effects are investing or financing cash flows.

Alternatively, the net cash flow from operating activities may be presented under the indirect method by showing the revenues and expenses disclosed in the statement of comprehensive income and the changes during the period in inventories and operating receivables and payables.

Significance of amendment

The inclusion of the option to use the indirect method of presenting the cash flow statement is to achieve alignment with IAS 7 *Statement of Cash Flows*. It would significantly affect entities choosing to report cash flows from operating activities using the indirect method.

Specific Basis for Conclusions

- BC1 The FRSB proposes to include the option in IAS 7 to prepare a cash flow statement using the indirect method.
- BC2 At the time of adopting IFRSs the FRSB included only the direct method of presenting the cash flow statement, consistent with the requirements in FRS-10 *Statement of Cash Flows*.
- BC3 The FRSB considers that harmonisation with IFRSs and Australian Accounting Standards outweighs the historical preference of not allowing the indirect method to be used in preparing a cash flow statement.

Reconciliation of cash flows arising from operating activities to profit or loss

~~NZ 20.1—The financial statements shall provide a reconciliation of the profit (loss) with the net cash flow from operating activities.~~

~~NZ 20.2—The adjustments in the reconciliation may be grouped as follows:~~

- ~~(a)—non-cash items included in profit (loss); for example, depreciation;~~
- ~~(b)—any deferrals or accruals of past or future operating cash receipts or payments; for example, changes in accounts receivable and in accounts payable;~~
- ~~(c)—revenue and expense items classified as investing or financing activities in the statement of cash flows; for example, the cash flow from the sale of plant may be presented as an investing cash flow but the gain or loss on the sale will be included in the determination of profit (loss); and~~
- ~~(d)—other adjustments appropriately described.~~

Deletion

Significance of amendment

The deletion of the disclosure requirement relating to the reconciliation of cash flows arising from operating activities to profit or loss would reduce the disclosures required of some entities.

Reasons for the presentation of receipts and payments as a net cash flow

~~NZ 24.1—When a cash flow in the statement of cash flows combines receipts and payments to present a net cash flow, a note shall identify such a cash flow and shall provide reasons why those receipts and payments have been set off.~~

Deletion

Significance of amendment

The deletion of the disclosure requirement relating to the presentation of receipts and payments as a net cash flow would reduce the disclosures required of some entities.

Effective date and transition

An entity shall apply these amendments for annual reporting periods beginning on or after 1 July 2011. Earlier application is permitted. If an entity applies these amendments for an earlier period it shall disclose that fact.

Proposal to Harmonise AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*

Introduction

The AASB proposes the following amendment to AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Restatement of comparative information

The AASB proposes to delete paragraph Aus2.8.

Proposed amendment

Restatement of comparative information

~~Aus2.8 — A requirement in an Australian Accounting Standard to restate comparative information does not, of itself, give rise to a requirement to replace the original financial statements for the preceding period.~~

Deletion

Significance of amendment

The deletion of explanatory guidance relating to the restatement of comparative information is not expected to affect practice.

Effective date and transition

An entity shall apply this amendment for annual reporting periods beginning on or after 1 July 2011. Earlier application is permitted. If an entity applies this amendment for an earlier period it shall disclose that fact.

Proposals to Harmonise NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

Introduction

The FRSB proposes the following amendments to NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Definitions related to NZ IFRSs

The FRSB proposes to delete paragraph NZ 5.1.

Disclosing changes in significant accounting policies

The FRSB proposes to delete paragraph NZ 31.1.

Proposed amendments

Definitions related to NZ IFRSs

~~NZ 5.1—The following term is used in this Standard with the meaning specified:~~

~~*New Zealand equivalents to International Financial Reporting Standards (IFRSs) are Standards and Interpretations approved by the Accounting Standards Review Board (ASRB) comprising New Zealand equivalents to:*~~

- ~~(a) International Financial Reporting Standards;~~
- ~~(b) International Accounting Standards; and~~
- ~~(c) International Interpretations.~~

Deletion

Significance of amendment

The deletion of the definition relating to NZ IFRSs is to eliminate duplication as the definition is currently contained in NZ IAS 1. It is not expected to affect practice.

Disclosing changes in significant accounting policies

~~NZ 31.1—Changes in significant accounting policies shall be reported as such within the summary of significant accounting policies.~~

Deletion

Significance of amendment

The deletion of the disclosure requirement relating to the changes in significant accounting policies may reduce the disclosures required of some entities.

Effective date and transition

An entity shall apply these amendments for annual reporting periods beginning on or after 1 July 2011. Earlier application is permitted. If an entity applies these amendments for an earlier period it shall disclose that fact.

Proposals to Harmonise NZ IAS 12 *Income Taxes*

Introduction

The FRSB proposes the following amendments to NZ IAS 12 *Income Taxes*.

Definitions related to NZ tax terms

The FRSB proposes to delete paragraph NZ 5.1.

Disclosures relating to imputation credits and dividend withholding payment credits

The FRSB proposes to relocate paragraph NZ 81.1 to a separate disclosure standard and to harmonise with the equivalent Australian requirements.

Proposed amendments

Definitions related to NZ tax terms

~~NZ 5.1—The following terms are used in this Standard with the meanings specified:~~

~~*Imputation credits* are credits attached to the gross amount of dividends. Examples include New Zealand imputation credits and foreign dividend withholding payments.~~

~~*Withholding taxes* are deductions from the gross amount of income. Examples include New Zealand’s resident withholding taxes on interest, dividends and other income (PAYE) and foreign non-resident withholding taxes. New Zealand’s foreign dividend withholding payments are not a withholding tax.~~

Deletion

Significance of amendment

The definitions relating to New Zealand tax terms would be deleted on the basis that the definitions are currently contained in New Zealand tax legislation. It is not expected to affect practice.

Disclosures relating to imputation credits and dividend withholding payment credits

~~NZ 81.1 With regard to imputation credits and dividend withholding payment credits available to shareholders the following shall be disclosed:~~

- ~~(a) the movements during the period in the Imputation Credit Account and Dividend Withholding Payments Account of the parent company; and~~
- ~~(b) the credits available to the shareholders of the parent company at the end of the reporting period:

 - ~~(i) through their shareholdings in that parent company; and, separately~~
 - ~~(ii) through their indirect interests in subsidiaries.~~~~

Significance of amendment

The relocation of the disclosure requirements relating to imputation credits for harmonisation with the equivalent Australian disclosure requirements may increase disclosures required of some entities and decrease disclosures required of other entities.

Effective date and transition⁵

An entity shall apply these amendments for annual reporting periods beginning on or after 1 July 2011. Earlier application is permitted. If an entity applies these amendments for an earlier period it shall disclose that fact.

⁵ Where an entity elects to early adopt any proposal contained in this Exposure Draft, it is proposed that the entity would also need to early adopt any related items in the proposed disclosure standard from the same period.

Proposals to Harmonise NZ IAS 16 *Property, Plant and Equipment*

Introduction

The FRSB proposes the following amendments to NZ IAS 16 *Property, Plant and Equipment*.

Use of the cost model for investment properties

The FRSB proposes to delete paragraph NZ 5.2.

Valuers requirements and related disclosures

The FRSB proposes to delete paragraphs NZ 35.1, NZ 35.2, NZ 35.3, NZ 77.2 and NZ 77.3.

Proposed amendments

Use of the cost model for investment properties

~~NZ 5.2 Under NZ IAS 40, paragraph 53, an entity is permitted to use the cost model for investment properties only where the fair value of the investment property is not reliably determinable on a continuing basis. This arises when, and only when, comparable market transactions are infrequent and alternative reliable estimates of fair value are not available.~~

Deletion

Significance of amendment

The deletion of guidance relating to the use of the cost model for investment properties under certain circumstances is not expected to affect practice.

Specific Basis for Conclusions

- BC1 The FRSB proposes to delete the guidance relating to using the cost model to account for investment property in paragraph NZ 5.2 of NZ IAS 16. This proposal is consistent with the FRSB's proposal to amend NZ IAS 40 *Investment Property* by reintroducing the option to use the cost model in IAS 40 *Investment Property*.
- BC2 The FRSB considers that harmonisation with IFRSs and Australian Accounting Standards outweighs the historical preference for a single measurement method for investment property.

Valuers requirements and related disclosures

~~NZ 35.1 Subject to paragraph NZ 35.3 valuations shall be conducted either:~~

- ~~(a) by an independent valuer; or~~
- ~~(b) where an entity employs a person sufficiently experienced to conduct a valuation, by that person, so long as the valuation has been subject to review by an independent valuer.~~

~~NZ 35.2 The fair value of property, plant and equipment is determined or reviewed by an independent valuer who holds a recognised and relevant professional qualification and who has recent experience in the location and category of the property, plant and equipment being valued.~~

Deletion

~~NZ 35.3— For plant and equipment, where there is an active market or readily available price indices that establish the item's fair value with reasonable reliability, the valuation need not be conducted or reviewed by an independent valuer or experienced employee.~~

~~NZ 77.2— An entity shall disclose in respect of each valuation conducted in accordance with paragraph NZ 35.1:~~

- ~~(a) the name of each valuer;~~
- ~~(b) a statement in respect of each valuer as to whether they are an employee of the entity or whether they are contracted as an independent valuer;~~
- ~~(c) the total fair value of property, plant and equipment valued by that valuer;~~
- ~~(d) where the valuation has been conducted by an employee of the entity the name of the independent valuer who reviewed the valuation; and~~
- ~~(e) the date(s) of such valuations.~~

~~NZ 77.3— Where an entity has not used an independent valuer because there is an active market or readily available price indices that establish the fair value of an item of plant or equipment with reasonable reliability in accordance with paragraph NZ 35.3, an entity shall disclose this fact.~~

Significance of amendment

The deletion of the valuers requirements and related disclosures relating to independent valuations would reduce the disclosures required of some entities.

Specific Basis for Conclusions

- BC1 The FRSB proposes to delete the requirements relating to independent valuations and the requirement to use an independent valuer contained in paragraphs NZ 35.1 to NZ 35.3 and the disclosure requirements in paragraphs NZ 77.2 and NZ 77.3 of NZ IAS 16.
- BC2 The independent valuation requirements in NZ IAS 16 were carried over from FRS-3 *Accounting for Property, Plant and Equipment*.
- BC3 The FRSB considers that harmonisation with IFRSs and Australian Accounting Standards outweighs the historical preference for maintaining these requirements.

Effective date and transition

An entity shall apply these amendments for annual reporting periods beginning on or after 1 July 2011. Earlier application is permitted. If an entity applies these amendments for an earlier period it shall disclose that fact.

Proposal to Harmonise NZ IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*

Introduction

The FRSB proposes the following amendment to NZ IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*.

Disclosure of government grants

The FRSB proposes to delete paragraph NZ 39.1.

Proposed amendment

Disclosure of government grants

~~NZ 39.1 To comply with the disclosures required by paragraph 39:~~

- ~~(a) where, in accordance with the option permitted by paragraph 23, a government grant takes the form of a transfer of a non-monetary asset and an entity has recorded both an asset and a grant at a nominal amount, an entity shall disclose, in the period in which it was received, the fair value of the grant received;~~
- ~~(b) where, in accordance with the requirements of paragraph 24, an entity has presented a government grant related to assets in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset, an entity shall disclose:
 - ~~(i) the fair value of the grant received at the time of receipt;~~
 - ~~(ii) the amount recognised as deferred income or deducted from the carrying amount of the asset at the time of receipt;~~
 - ~~(iii) the number of years over which the deferred income is recognised as income or the estimated useful life of the related asset; and~~~~
- ~~(c) where, in accordance with the option permitted by paragraph 29, an entity has deducted a grant related to income in reporting the related expense, an entity shall disclose the fair value of the grant received.~~

Deletion

Significance of amendment

The deletion of the disclosure requirements relating to government grants would reduce the disclosures required of some entities.

Effective date and transition

An entity shall apply this amendment for annual reporting periods beginning on or after 1 July 2011. Earlier application is permitted. If an entity applies this amendment for an earlier period it shall disclose that fact.

Proposal to Harmonise AASB 121 *The Effects of Changes in Foreign Exchange Rates*

Introduction

The AASB proposes the following amendment to AASB 121 *The Effects of Changes in Foreign Exchange Rates*.

Requirement to present a financial report drawn up in one presentation currency

The AASB proposes to delete paragraph Aus38.1.

Proposed amendment

Requirement to present a financial report drawn up in one presentation currency

~~Aus38.1—Notwithstanding paragraph 38, for the purpose of reporting under the Corporations Act, entities are only permitted to present a financial report which purports to be drawn up in accordance with the Corporations Act in one presentation currency.~~

Deletion

Significance of amendment

The deletion of guidance relating to the *Corporations Act 2001* is not expected to affect practice.

Effective date and transition

An entity shall apply this amendment for annual reporting periods beginning on or after 1 July 2011. Earlier application is permitted. If an entity applies this amendment for an earlier period it shall disclose that fact.

Proposal to Harmonise AASB 128 *Investments in Associates*

Introduction

The AASB proposes the following amendment to AASB 128 *Investments in Associates*.

Restatement of comparative information

The AASB proposes to delete paragraph Aus1.8.

Proposed amendment

Restatement of comparative information

~~Aus1.8 — A requirement in an Australian Accounting Standard to restate comparative information does not, of itself, give rise to a requirement to replace the original financial statements for the preceding period.~~

Deletion

Significance of amendment

The deletion of guidance relating to the restatement of comparative information is not expected to affect practice.

Effective date and transition

An entity shall apply this amendment for annual reporting periods beginning on or after 1 July 2011. Earlier application is permitted. If an entity applies this amendment for an earlier period it shall disclose that fact.

Proposal to Harmonise NZ IAS 28 *Investments in Associates*

Introduction

The FRSB proposes the following amendment to NZ IAS 28 *Investments in Associates*.

Disclosures if the equity method is applied

The FRSB proposes to delete paragraph NZ 37.1.

Proposed amendment

Disclosures if the equity method is applied

~~NZ 37.1 Where the equity method is applied to investments in associates, the following information must be disclosed on an aggregate basis:~~

- ~~(a) the movements in the carrying amount of investments in associates, separately identifying the carrying amount as at the beginning and end of the period, the amounts of new investments, disposals, share of total recognised revenues and expenses, dividends, and other movements; and~~
- ~~(b) the amount of goodwill in the carrying amounts of investments in associates at the beginning and end of the period.~~

Deletion

Significance of amendment

The deletion of the disclosure requirement relating to application of the equity method would reduce the disclosures required of some entities.

Effective date and transition

An entity shall apply this amendment for annual reporting periods beginning on or after 1 July 2011. Earlier application is permitted. If an entity applies this amendment for an earlier period it shall disclose that fact.

Proposal to Harmonise NZ IAS 31 *Interests in Joint Ventures*

Introduction

The FRSB proposes the following amendment to NZ IAS 31 *Interests in Joint Ventures*.

Clarification of requirements

The FRSB proposes to delete paragraph NZ 40.1.

Proposed amendment

Clarification of requirements

~~NZ 40.1 For clarification, the reference in paragraph 40 above to using the equity method as described in NZ IAS 28, includes the requirement to comply with the disclosure requirements of that Standard.~~

Deletion

Significance of amendment

The deletion of the clarification is not expected to affect practice.

Effective date and transition

An entity shall apply this amendment for annual reporting periods beginning on or after 1 July 2011. Earlier application is permitted. If an entity applies this amendment for an earlier period it shall disclose that fact.

Proposal to Harmonise AASB 134 *Interim Financial Reporting*

Introduction

The AASB proposes the following amendment to AASB 134 *Interim Financial Reporting*.

Amendment to the scope

The AASB proposes to partially amend paragraph 1 to align with IFRSs.

Proposed amendment

Amendment to the scope

- 1 This Standard does not mandate ~~which entities should be required to publish the preparation or frequency of interim financial reports, how frequently, or how soon after the end of an interim period they should be completed.~~ However, governments, securities regulators, stock exchanges, and ~~other regulators may~~ accountancy bodies often require entities whose debt or equity securities are publicly traded to prepare publish interim financial reports that are general purpose financial statements. This Standard applies if an entity is required or elects to ~~prepare publish an interim financial reports that are general purpose financial statements or are held out to be general purpose financial statements~~ prepare publish an interim financial reports that are general purpose financial statements in accordance with Australian Accounting Standards. The International Accounting Standards Committee encourages publicly traded entities to provide interim financial reports that conform to the recognition, measurement, and disclosure principles set out in this Standard. Specifically, publicly traded entities are encouraged:
- (a) to provide interim financial reports at least as of the end of the first half of their financial year; and
 - (b) to make their interim financial reports available not later than 60 days after the end of the interim period.

Alignment

Significance of amendment

The amendment to the scope of AASB 134 involves editorial changes and is not expected to affect practice.

Effective date and transition

An entity shall apply this amendment for annual reporting periods beginning on or after 1 July 2011. Earlier application is permitted. If an entity applies this amendment for an earlier period it shall disclose that fact.

Proposals to Harmonise NZ IAS 34 *Interim Financial Reporting*

Introduction

The FRSB proposes the following amendments to NZ IAS 34 *Interim Financial Reporting*.

Amendment to the scope

The FRSB proposes to partially amend paragraph 1 to align with IFRSs.

Requirement to comply with the standard

The FRSB proposes to delete paragraph NZ 3.1.

Reference to NZ IAS 1

The FRSB proposes to delete paragraph NZ 5.1.

Additional disclosures required for condensed financial statements

The FRSB proposes to delete paragraph NZ 10.1.

Asserting compliance with applicable financial reporting standards

The FRSB proposes to relocate paragraph NZ 19.1 to a separate disclosure standard.

Requirement to present a comparative statement of financial position

The FRSB proposes to delete paragraph NZ 20.1.

Proposed amendment

Amendment to the scope

- 1 **This Standard does not mandate which entities should be required to publish interim financial reports, how frequently, or how soon after the end of an interim period. However, governments, securities regulators, stock exchanges, and accountancy bodies often require entities whose debt or equity securities are publicly traded to publish interim financial reports. This Standard applies if an entity is required or elects to publish an interim financial report in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRSs). The International Accounting Standards Committee encourages publicly traded entities to provide interim financial reports that conform to the recognition, measurement, and disclosure principles set out in this Standard. Specifically, publicly traded entities are encouraged:**
 - (a) to provide interim financial reports at least as of the end of the first half of their financial year; and**
 - (b) to make their interim financial reports available not later than 60 days after the end of the interim period**

Alignment

Significance of amendment
The amendment to the scope of NZ IAS 34 involves editorial changes and is not expected to affect practice.

Requirement to comply with the standard

~~NZ 3.1—If an entity’s interim financial report is described as complying with NZ IFRSs, it must comply with all of the requirements of this Standard. Paragraph NZ 19.1 requires certain disclosures in that regard.~~

Deletion

Significance of amendment

The deletion of guidance relating to the requirement to comply with NZ IAS 34 is not expected to affect practice.

Reference to NZ IAS 1

~~NZ 5.1—NZ IAS 1 notes that financial statements may be published as part of a financial report which includes financial statements, non-financial statements such as statements of service performance and supplementary information which is additional to the information in financial and non-financial statements.~~

Deletion

Significance of amendment

The deletion of the reference to NZ IAS 1 relating to the publication of financial statements is not expected to affect practice.

Additional disclosures required for condensed financial statements

~~**NZ 10.1—If an entity publishes a set of condensed financial statements in its interim financial report, in addition to the minimum disclosures required by paragraph 10, those condensed statements shall also include:**~~

- ~~(a) the line items required in the statement of comprehensive income by NZ IAS 1 paragraph 82;~~
- ~~(b) the line items required in the statement of financial position by NZ IAS 1 paragraph 54; and~~
- ~~(c) in respect of the statement of cash flows, gross cash inflows and outflows from each of the following categories of cash flows, except to the extent that such cash flows are reported on a net basis in accordance with NZ IAS 7 Statement of Cash Flows;~~
 - ~~(i) operating activities;~~
 - ~~(ii) investing activities; and~~
 - ~~(iii) financing activities;~~
 - ~~(iv) by way of note disclosure, a reconciliation of the net profit (loss) after taxation with the net cash flow from operating activities separately disclosing the material items; and~~
 - ~~(v) by way of note disclosure, non-cash investing and financing transactions which affect assets and liabilities that have been recognised. Such notes shall be referenced to the appropriate items in the financial statements.~~

Deletion

Significance of amendment

The deletion of additional disclosure requirements for condensed financial statements would reduce the disclosures required of some entities.

Asserting compliance with applicable financial reporting standards

~~NZ 19.1 If an entity's interim financial report is in compliance with NZ IAS 34 that fact shall be disclosed. An interim financial report shall not assert compliance with NZ IFRSs, and other applicable Financial Reporting Standards, as appropriate for that entity, unless the financial statements comply with all the relevant requirements of those standards.~~

Relocation

Significance of amendment

The relocation of the disclosure requirement in relation to asserting compliance with applicable financial reporting standards is not expected to affect practice.

Requirement to present a comparative statement of financial position

~~NZ 20.1 In addition to the financial statements required by paragraph 20, interim reports shall also include a comparative statement of financial position as of the end of the comparable interim period of the immediately preceding financial year.~~

Deletion

Significance of amendment

The deletion of the disclosure requirement to present a comparative statement of financial position may reduce the disclosures required of some entities.

Effective date and transition⁶

An entity shall apply these amendments for annual reporting periods beginning on or after 1 July 2011. Earlier application is permitted. If an entity applies these amendments for an earlier period it shall disclose that fact.

⁶ Where an entity elects to early adopt any proposal contained in this Exposure Draft, it is proposed that the entity would also need to early adopt any related items in the proposed disclosure standard from the same period.

Proposals to Harmonise NZ IAS 40 *Investment Property*

Introduction

The FRSB proposes the following amendments to NZ IAS 40 *Investment Property*.

Reintroduction of the cost model

The FRSB proposes to amend paragraphs 33, 59, 75 and 79 and to add paragraphs 30, 31, 32, 32A, 32B, 32C and 56 of IAS 40 *Investment Property* to align with IFRSs.

Valuer requirements and related disclosures

The FRSB proposes to delete paragraphs NZ 33.1, NZ 33.2 and NZ 75.1.

Note to readers: an entity considering changing from the fair value model to the cost model for the valuation of investment property would need to consider the relevant requirements of NZ IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and the proposed new paragraph 31 of NZ IAS 40.

Proposed amendments

Reintroduction of the cost model

~~30–32~~ [Paragraphs 30 to 32 are not reproduced in this Standard. An entity is not permitted to use the cost model except in the circumstances outlined in paragraph 53.]

~~32A–32C~~ [Paragraphs 32A to 32C are not reproduced in this Standard. An entity is not permitted to use the cost model except in the circumstances outlined in paragraph 53.]

30 **With the exceptions noted in paragraphs 32A and 34, an entity shall choose as its accounting policy either the fair value model in paragraphs 33–55 or the cost model in paragraph 56 and shall apply that policy to all of its investment property.**

31 NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* states that a voluntary change in accounting policy shall be made only if the change results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows. It is highly unlikely that a change from the fair value model to the cost model will result in a more relevant presentation.

32 This Standard requires all entities to determine the fair value of investment property, for the purpose of either measurement (if the entity uses the fair value model) or disclosure (if it uses the cost model). An entity is encouraged, but not required, to determine the fair value of investment property on the basis of a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

Alignment

32A An entity may:

- (a) choose either the fair value model or the cost model for all investment property backing liabilities that pay a return linked directly to the fair value of, or returns from, specified assets including that investment property; and**
- (b) choose either the fair value model or the cost model for all other investment property, regardless of the choice made in (a).**

32B Some insurers and other entities operate an internal property fund that issues notional units, with some units held by investors in linked contracts and others held by the entity. Paragraph 32A does not permit an entity to measure the property held by the fund partly at cost and partly at fair value.

32C If an entity chooses different models for the two categories described in paragraph 32A, sales of investment property between pools of assets measured using different models shall be recognised at fair value and the cumulative change in fair value shall be recognised in profit or loss. Accordingly, if an investment property is sold from a pool in which the fair value model is used into a pool in which the cost model is used, the property's fair value at the date of the sale becomes its deemed cost.

33 After initial recognition, an entity **that chooses the fair value model** shall measure all of its investment property at fair value, except in cases described in paragraph 53.

~~56~~ [~~Paragraph 56 is not reproduced in this Standard. An entity is not permitted to use the cost model except in the circumstances outlined in paragraph 53.~~]

56 After initial recognition, an entity that chooses the cost model shall measure all of its investment properties in accordance with NZ IAS 16's requirements for that model, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with NZ IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Investment properties that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) shall be measured in accordance with NZ IFRS 5.

59 Paragraphs 60–65 apply to recognition and measurement issues that arise when an entity uses the fair value model for investment property. ~~[Final sentence of paragraph 59 deleted in NZ IAS 40 – an entity is not permitted to use the cost model except in the circumstances outlined in paragraph 53.]~~ When an entity uses the cost model, transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Alignment

Alignment

An entity shall disclose:

- (a) ~~whether it applies the fair value model or, in the exceptional cases described in paragraph 53, when an entity cannot determine the fair value of the investment property reliably, the cost model.~~ whether it applies the fair value model or the cost model.
- (b) if it applies the fair value model, whether, and in what circumstances, property interests held under operating leases are classified and accounted for as investment property.
- (c) when classification is difficult (see paragraph 14), the criteria it uses to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business.
- (d) the methods and significant assumptions applied in determining the fair value of investment property, including a statement whether the determination of fair value was supported by market evidence or was more heavily based on other factors (which the entity shall disclose) because of the nature of the property and lack of comparable market data.
- (e) the extent to which the fair value of investment property (as measured or disclosed in the financial statements) is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. If there has been no such valuation, that fact shall be disclosed.
- (f) the amounts recognised in profit or loss for:
 - (i) rental income from investment property;
 - (ii) direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period; and
 - (iii) direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income during the period.
 - (iv) ~~[Paragraph 75(f)(iv) is not reproduced in this Standard. An entity is not permitted to use the cost model except in the circumstances outlined in paragraph 53.]~~ the cumulative change in fair value recognised in profit or loss on a sale of investment property from a pool of assets in which the cost model is used into a pool in which the fair value model is used (see paragraph 32C).
- (g) the existence and amounts of restrictions on the realisability of investment property or the remittance of income and proceeds of disposal.
- (h) contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Alignment

Alignment

79

In addition to the disclosures required by paragraph 75, an entity that applies the cost model in paragraph 56 shall disclose:

- (a) the depreciation methods used;
- (b) the useful lives or the depreciation rates used;
- (c) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period;
- (d) ~~[Paragraph 79(d) is not reproduced in this Standard. An entity is not permitted to use the cost model, except in the circumstances outlined in paragraph 53]~~ a reconciliation of the carrying amount of investment property at the beginning and end of the period, showing the following:
 - (i) additions, disclosing separately those additions resulting from acquisitions and those resulting from subsequent expenditure recognised as an asset;
 - (ii) additions resulting from acquisitions through business combinations;
 - (iii) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with NZ IFRS 5 and other disposals;
 - (iv) depreciation;
 - (v) the amount of impairment losses recognised, and the amount of impairment losses reversed, during the period in accordance with NZ IAS 36;
 - (vi) the net exchange differences arising on the translation of the financial statements into a different presentation currency, and on translation of a foreign operation into the presentation currency of the reporting entity;
 - (vii) transfers to and from inventories and owner-occupied property; and
 - (viii) other changes; and

- (e) ~~{Paragraph 79(e) is not reproduced in this Standard. An entity is not permitted to use the cost model, except in the circumstances outlined in paragraph 53}~~ **the fair value of investment property. In the exceptional cases described in paragraph 53, when an entity cannot determine the fair value of the investment property reliably, it shall disclose:**
- (i) a description of the investment property;**
- (ii) an explanation of why fair value cannot be determined reliably;**
and
- (iii) if possible, the range of estimates within which fair value is highly likely to lie.**

Significance of amendment

The inclusion of the option to account for investment property using the cost model that is currently not available under NZ IAS 40 would significantly affect entities in a position to choose to account for investment property using the cost model.

Specific Basis for Conclusions

- BC1 The FRSB proposes to include the option in IAS 40 that permits the use of the cost model to account for investment property.
- BC2 Limiting the measurement of investment property to the fair value model maintained consistency with the previous requirements of *SSAP-17 Accounting for Investment Properties and Properties Intended for Sale*.
- BC3 At the time of adopting IFRSs the FRSB acknowledged the argument that the cost model is included in IAS 40 to cater for jurisdictions with no developed markets for investment property.
- BC4 The FRSB considers that harmonisation with IFRSs and Australian Accounting Standards outweighs the historical preference for a single measurement method for investment property.

Valuations of investment property

~~NZ 33.1—Valuations shall be conducted either:~~

- ~~(a) by an independent valuer; or~~
- ~~(b) where an entity employs a person sufficiently experienced to conduct a valuation, by that person, so long as the valuation has been subject to review by an independent valuer.~~

~~NZ 33.2—The fair value of investment property is determined or reviewed by an independent valuer who holds a recognised and relevant professional qualification and who has recent experience in the location and category of the investment property being valued.~~

~~NZ 75.1—An entity shall disclose in respect of each valuer employed:~~

- ~~(a) the name of the valuer;~~
- ~~(b) the total fair value of property valued by that valuer; and~~
- ~~(c) the date(s) of such valuations.~~

Significance of amendment

The deletion of the valuer requirements and related disclosures relating to the independent valuations would reduce the disclosures required of some entities.

Specific Basis for Conclusions

- BC1 The FRSB proposes to delete the requirements relating to independent valuations of investment property and the requirement to use an independent valuer contained in paragraphs NZ 33.1 and NZ 33.2 and the related disclosures in paragraph NZ 75.1 of NZ IAS 40.
- BC2 The independent valuation requirements in NZ IAS 40 were carried forward from SSAP-17 *Accounting for Investment Properties and Properties Intended for Sale*.
- BC3 The FRSB considers that harmonisation with IFRSs and Australian Accounting Standards outweighs the historical preference for maintaining these requirements.

Effective date and transition

An entity shall apply these amendments for annual reporting periods beginning on or after 1 July 2011. Earlier application is permitted. If an entity applies these amendments for an earlier period it shall disclose that fact.

Proposal to Harmonise AASB Interpretation 2 *Members' Shares in Co-operative Entities and Similar Instruments*

Introduction

The AASB proposes the following amendment to AASB Interpretation 2 *Members' Shares in Co-operative Entities and Similar Instruments*.

Cancellation of membership of non-active members

The AASB proposes to delete paragraphs Aus12.1 and Aus12.2.

Proposed amendment

Cancellation of membership of non-active members

~~Aus12.1—Local law may require that when a member has not been an active member of a co-operative for a specified period of time, the membership of the member is cancelled and the shares of the member are required to be redeemed. For example, the *Co-operatives Act 1992* (NSW) requires that when a member is not presently an active member of the co-operative and has not been an active member of a co-operative at any time during the past three years (or a shorter period, if provided for in the rules of the co-operative), the co-operative must declare the membership of the member cancelled and then has 12 months within which to repay to the former member the amount payable in respect of that cancellation.~~

~~Aus12.2—Local law that requires the redemption of members' shares where members cease to be active members of a co-operative creates an unconditional obligation on the co-operative to transfer cash or another financial asset to its members at the option of the members, who would exercise their option by ceasing to be an active member. The obligation meets the definition of a financial liability and the members' shares are classified as liabilities, measured in accordance with paragraph 10, unless the shares have all the features and meet the conditions in paragraphs 16A and 16B or paragraphs 16C and 16D of AASB 132. For example, under the general New South Wales requirements noted in paragraph Aus12.1, a cooperative would measure the fair value of the financial liability (if the members' shares are so classified) by discounting the maximum amount payable on redemption over the four-year period to the first date that the amount could be required to be paid.~~

Deletion

Significance of amendment

The deletion of guidance relating to the cancellation of membership of non-active members required by local law is not expected to affect practice.

Effective date and transition

An entity shall apply these amendments for annual reporting periods beginning on or after 1 July 2011. Earlier application is permitted. If an entity applies these amendments for an earlier period it shall disclose that fact.

Proposal to Harmonise AASB Interpretation 112 *Consolidation - Special Purpose Entities*

Introduction

The AASB proposes the following amendment to AASB Interpretation 112 *Consolidation – Special Purpose Entities*.

Prohibition of a company from acquiring shares in itself

The AASB proposes to delete paragraph Aus15C.1.

Proposed amendment

Prohibition of a company from acquiring shares in itself

Aus15C.1 ~~The AASB has added a footnote to AASB 132.33 and 132.34 that ‘The Corporations Act prohibits a company from acquiring shares (or units of shares) in itself except in limited circumstances. Accordingly, an entity subject to the Corporations Act cannot have treasury shares.’~~

Deletion

Significance of amendment

The deletion of guidance relating to the prohibition of a company from acquiring shares in itself is not expected to affect practice.

Effective date and transition

An entity shall apply this amendment for annual reporting periods beginning on or after 1 July 2011. Earlier application is permitted. If an entity applies this amendment for an earlier period it shall disclose that fact.

Proposal to Harmonise AASB Interpretation 113 *Jointly Controlled Entities – Non-monetary Contributions by Venturers*

Introduction

The AASB proposes the following amendment to AASB Interpretation 113 *Jointly Controlled Entities – Non-monetary Contributions by Venturers*.

Recognition of an elimination of an unrealised gain or loss

The AASB proposes to delete paragraph Aus7.1 deleted.

Proposed amendment

Recognition of an elimination of an unrealised gain or loss

~~Aus7.1—Where a venturer has recognised a gain or loss in profit or loss under paragraph 5 or 6, the amount of the unrealised gain or loss that has been eliminated shall be recognised by the venturer as it is realised by the JCE (as the contributed assets are consumed or sold) or, if not already realised by the JCE, when the venturer disposes of its investment in the JCE.~~

Deletion

Significance of amendment

The deletion of guidance relating to the recognition of an elimination of an unrealised gain or loss is not expected to affect practice.

Effective date and transition

An entity shall apply this amendment retrospectively for annual reporting periods beginning on or after 1 July 2011. Earlier application is permitted. If an entity applies this amendment for an earlier period it shall disclose that fact.

APPENDIX A

AUSTRALIAN AND NEW ZEALAND STANDARDS ADDRESSED IN THIS EXPOSURE DRAFT

The following table shows the Standards and subjects addressed in this Exposure Draft. A tick means that the same requirement appears in a specific version of the Standard [source IFRS, Australian Standards and/or New Zealand Standards], and a cross means it does not. The table is an aid to understanding the 'Principles Adopted in Determining the Proposals in this Exposure Draft' outlined on page 9 of this Exposure Draft.

For example, in the first row of the table, the last three columns indicate that Australia has explanatory guidance while the relevant IFRS and New Zealand Standard do not. Consequently the AASB is proposing to delete this guidance to align with IFRS and NZ IFRS (see page 14 of this Exposure Draft).

Standard	Subject of Amendment	IFRS	AASB	NZ IFRS
AASB 1 <i>First-time Adoption of Australian Accounting Standards</i>	Deletion of the explanatory guidance relating to initial application of the standard	X	✓	X
AASB 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	Deletion of the clarification of the requirement to restate comparative information	X	✓	X
AASB 101 <i>Presentation of Financial Statements</i>	Relocation of the definitions with specified meanings used in the standard [#]	X	✓	X
	Deletion of additional guidance relating to a true and fair view	X	✓ *	✓ *
	Relocation of the disclosure requirements to assert whether the accounts have been prepared in accordance with Australian Accounting Standards	X	✓ *	✓ *
	Relocation of the disclosure requirements to provide information on the statutory base and other related information	X	✓ *	✓ *
	Relocation of the disclosures relating to GPFSS or SPFSs	X	✓	X
	Deletion of guidance relating to limited explicit unreserved statement of compliance	X	✓ *	✓ *
	Include the requirements relating to true and fair over-ride ⁺	✓	X	✓
	Deletion of requirement for presentation in English	X	✓	X
	Relocation of audit fee disclosures [#]	X	✓ *	✓ *
	Relocation of the disclosures relating to imputation credits [#]	X	✓ *	✓ *
	Deletion of disclosure requirements relating to capital and expenditure	X	✓	X

* A similar requirement exists in both jurisdictions.

+ A specific Basis for Conclusion for this amendment is provided in this Exposure Draft.

A specific Basis for Conclusion for this amendment is provided in AASB ED 200B / FRSB ED 122.

Standard	Subject of Amendment	IFRS	AASB	NZ IFRS
	commitments			
NZ IAS 1 <i>Presentation of Financial Statements</i>	Relocation of definitions relating to the 'Statement of Service Performance'	X	X	✓
	Deletion of explanatory guidance relating to the presentation of a financial report	X	X	✓
	Relocation of disclosures relating to the disclosure of the statutory basis	X	X	✓
	Deletion of application guidance relating to compliance with the Financial Reporting Act	X	X	✓
	Relocation of disclosures relating to asserting compliance with NZ IFRSs	X	✓ *	✓ *
	Relocation of the regulatory guidance relating to Financial Reporting Act true and fair over-ride by relocation to a footnote within NZ IAS 1	X	X	✓
	Relocation of application guidance relating to prospective financial statements	X	X	✓
	Relocation of audit fee disclosures [#]	X	✓ *	✓ *
	Deletion of disclosure of donations made	X	X	✓
	Deletion of application guidance relating to the presentation order of certain disclosures	X	X	✓
	Relocation of application guidance relating to elements in the Statement of Service Performance	X	X	✓
	AASB 107 <i>Statement of Cash Flows</i>	Deletion of the requirement to disclose a reconciliation of cash flows arising from operating activities to profit or loss	X	✓
NZ IAS 7 <i>Statement of Cash Flows</i>	Include the indirect method of reporting cash flows from operating activities ⁺	✓	✓	X
	Deletion of the requirement to disclose a reconciliation of cash flows arising from operating activities to profit or loss	X	✓	✓
	Deletion of disclosure of reasons for presentation of receipts and payments as a net cash flow	X	X	✓
AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	Deletion of guidance relating to restatement of comparative information	X	✓	X
NZ IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	Deletion of definitions relating to NZ IFRSs	X	X	✓
	Deletion of disclosures relating to changes in significant accounting policies	X	X	✓
NZ IAS 12 <i>Income Taxes</i>	Deletion of definitions relating to NZ tax terms	X	X	✓

Standard	Subject of Amendment	IFRS	AASB	NZ IFRS
	Relocation of disclosures relating to imputation credits and dividend withholding payment credits [#]	X	✓ *	✓ *
NZ IAS 16 <i>Property, Plant and Equipment</i>	Deletion of guidance relating to using the cost model for investment properties under certain circumstances ⁺	X	X	✓
	Deletion of disclosures relating to valuers requirements and related disclosures ⁺	X	X	✓
NZ IAS 20 <i>Accounting for Government Grants and Disclosure of Government Assistance</i>	Deletion of guidance relating to disclosure of government grants	X	X	✓
AASB 121 <i>The Effects of Changes in Foreign Exchange Rates</i>	Deletion of requirement to present a financial report drawn up in one presentation currency	X	✓	X
AASB 128 <i>Investments in Associates</i>	Deletion of guidance relating to restatement of comparative information	X	✓	X
NZ IAS 28 <i>Investments in Associates</i>	Deletion of disclosures if the equity method is applied	X	X	✓
NZ IAS 31 <i>Interests in Joint Ventures</i>	Deletion of clarification of requirements	X	X	✓
AASB 134 <i>Interim Financial Reporting</i>	Amendment to the scope	✓	X	X
NZ IAS 34 <i>Interim Financial Reporting</i>	Amendment to the scope	✓	X	X
	Deletion of guidance relating to complying with all the requirements of the Standard	X	X	✓
	Deletion of reference to NZ IAS 1	X	X	✓
	Deletion of additional line item disclosures required for condensed financial statements	X	X	✓
	Relocation of disclosures relating to asserting compliance with applicable financial reporting standards	X	X	✓
	Deletion of the requirement to present a comparative statement of financial position	X	X	✓
NZ IAS 40 <i>Investment Property</i>	Include the option to account for investment property using either the cost model or the fair value model ⁺	✓	✓	X
	Deletion of disclosures relating to valuers requirements and related disclosures ⁺	X	X	✓

Standard	Subject of Amendment	IFRS	AASB	NZ IFRS
Interpretation 2 <i>Members' Shares in Co-operative Entities and Similar Instruments</i>	Deletion of guidance relating to cancellation of membership of non-active members	X	✓	X
Interpretation 112 <i>Consolidation – Special Purpose Entities</i>	Deletion of guidance relating to prohibition of a company from acquiring shares in itself	X	✓	X
Interpretation 113 <i>Jointly Controlled Entities – Non-monetary Contributions by Venturers</i>	Deletion of guidance relating to recognition of an elimination of an unrealised gain or loss	X	✓	X

APPENDIX B

AUSTRALIAN AND NEW ZEALAND STANDARDS NOT ADDRESSED IN THIS EXPOSURE DRAFT

The AASB and FRSB have deferred considering alignment of the following standards (or specific issues within the standards) until the relevant projects, or further consultations with relevant parties, have been completed.

In some instances the AASB and the FRSB are deferring consideration of an entire standard and in some instances a specific component of a standard. Where a specific component is not being considered this is indicated in the left hand column of the table below.

Standard (if applicable, specific issues not considered)	Reason for not considering alignment in this Exposure Draft
<p><i>AASB Framework for the Preparation and Presentation of Financial Statements, including AASB 1031 Materiality</i></p> <p><i>New Zealand Equivalent to the IASB Framework for the Preparation and Presentation of Financial Statements</i></p>	<p>The AASB and FRSB propose to defer consideration of the <i>Framework</i> until after the conclusion of the IASB's <i>Conceptual Framework</i> project.</p>
<p><i>AASB 4 Insurance Contracts</i></p> <p><i>AASB 1023 General Insurance Contracts</i></p> <p><i>AASB 1038 Life Insurance Contracts</i></p> <p><i>NZ IFRS 4 Insurance Contracts</i></p>	<p>The AASB and FRSB propose to defer consideration of these Standards until after the conclusion of the IASB's <i>Insurance Contracts Phase 2</i> project.</p>
<p><i>AASB 6 Exploration for and Evaluation of Mineral Resources</i></p> <p><i>NZ IFRS 6 Exploration for and Evaluation of Mineral Resources</i></p>	<p>The AASB and FRSB propose to defer consideration of these Standards until after the conclusion of the likely IASB comprehensive project on <i>Extractive Activities</i>.</p>
<p><i>AASB 7 Financial Instruments: Disclosures</i></p> <p>Paragraph B6 of <i>IFRS 7 Financial Instruments: Disclosures</i> comments that information required by certain paragraphs can be provided by cross-reference to material outside the financial statements.</p> <p>The Australian <i>Corporations Act 2001</i> effectively sets out the information that forms part of the financial statements and it is generally not appropriate to incorporate material in the financial statements by cross-reference.</p>	<p>The AASB proposes to defer consideration of the addition of the disclosure paragraph relating to cross-referencing material outside the financial statements until after further consideration is given to the scope of financial statements.</p>
<p><i>NZ IFRS 7 Financial Instruments: Disclosures</i></p> <p><i>(Specific issue not considered: Appendix E – Specific additional disclosure requirements applicable to financial institutions)</i></p>	<p>The FRSB proposes to defer consideration of Appendix E of NZ IFRS 7 until after the FRSB has held discussions with the relevant parties to consider how best to address this matter.</p>

<p>AASB 119 <i>Employee Benefits</i> NZ IAS 19 <i>Employee Benefits</i> <i>(Specific issue not considered: transitional provisions)</i></p>	<p>The AASB and FRSB propose to defer consideration of these Standards until after the conclusion of the IASB's <i>Post Employment Benefits</i> project.</p>
<p>AAS 25 <i>Financial Reporting by Retirement Benefit Plans</i> NZ IAS 26 <i>Accounting and Reporting by Retirement Benefit Plans</i></p>	<p>Australia and New Zealand have taken different approaches to financial reporting by retirement benefit plans.</p> <p>The AASB has decided to retain a jurisdiction-specific Standard which is presently under review. Although the existing and proposed Standards involve applying IFRSs to a significant extent, the AASB considers that there are elements of the accounting for superannuation plans that require more definitive requirements than those in IFRSs and in IAS 26 <i>Accounting and Reporting by Retirement Benefit Plans</i> in particular.</p> <p>The FRSB proposes to retain NZ IAS 26 at present and has a separate active proposal to align the scope with that of IAS 26.</p>
<p>AASB 124 <i>Related Party Disclosures</i> <i>(Specific issue not considered: requirement for disclosing entities to provide additional information about individual key management personnel)</i></p>	<p>The AASB has deferred consideration of whether to retain the individual key management personnel disclosures in this Standard until after the issue of whether a key management personnel can be an entity is resolved. The AASB and the FRSB have referred the matter to the IASB with the support of the National Standard Setters Group.</p>
<p>AASB 127 <i>Consolidated and Separate Financial Statements</i> NZ IAS 27 <i>Consolidated and Separate Financial Statements</i> <i>(Specific issue not considered: modifications to the exemption from consolidation for intermediate parent entities)</i></p>	<p>The AASB and the FRSB propose to defer consideration of these Standards until after they have further considered how to best address the requirement for an intermediate parent that is the ultimate Australian or New Zealand parent to prepare consolidated financial statements.</p>
<p>AASB 1048 <i>Application and Interpretation of Standards</i> and AASB Interpretations that have no IASB equivalent</p>	<p>The AASB is undertaking a separate exercise to review the need for its few remaining domestic Interpretations.</p>
<p>FRS-42 <i>Prospective Financial Statements</i></p>	<p>This Standard addresses situations that are outside the scope of IFRSs.</p>
<p>AASB 1039 <i>Concise Financial Reports</i></p>	<p>This Standard will remain while the Australian <i>Corporations Act 2001</i> permits entities to prepare concise financial reports and will not be considered as part of this project. This Standard addresses situations that are outside the scope of IFRSs.</p>

<i>FRS-43 Summary Financial Statements</i>	This Standard addresses situations that are outside the scope of IFRSs.
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