

Proposed Separate Disclosure Standards

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).

Alternatively, printed copies of this Exposure Draft are available by contacting:

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¹ The New Zealand Institute of Chartered Accountants is the operating name of the Institute of Chartered Accountants of New Zealand, a body established under the *Institute of Chartered Accountants of New Zealand Act 1996*. All references to the New Zealand Institute of Chartered Accountants, or to the Institute, in this document mean the Institute of Chartered Accountants of New Zealand.

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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 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 make use 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 will 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 joint Exposure Draft of proposed separate disclosure standards. It is proposed that the final pronouncements will be published as a separate disclosure standard in each jurisdiction.

The proposals in this Exposure Draft support the objective of harmonising financial reporting standards in Australia and New Zealand. Although the proposed changes in this Exposure Draft are aimed at eliminating the differences between the Standards in each jurisdiction relating to for-profit entities applying IFRSs as adopted in Australia and New Zealand, most of those affected disclosures also apply to not-for-profit/public benefit entities.

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 Outcome 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 for 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 paragraphs proposed in AASB ED 200A / FRSB ED 121 *Proposals to Harmonise Australian and New Zealand Standards in relation to Entities applying IFRSs as adopted in Australia and New Zealand* (July 2010) to be relocated to a separate Australian disclosure standard and a separate New Zealand disclosure standard.

Structure of the Exposure Draft

This Exposure Draft includes a separate disclosure standard for both Australia and New Zealand. Each separate disclosure standard includes:

- (a) the proposed additional disclosure requirements to be established in the separate disclosure standard;
- (b) the source paragraphs proposed in AASB ED 200A / FRSB ED 121 to be relocated to the separate disclosure standard;
- (c) the significance of each proposed additional disclosure requirement and a specific Basis for Conclusions, if applicable; and
- (d) the proposed effective date of the separate disclosure standard.

Principles Adopted in Determining the Proposals in this Exposure Draft

This Exposure Draft contains the items that the AASB and the FRSB propose in AASB ED 200A / FRSB ED 121 to relocate to separate disclosure standards for each jurisdiction.

For each of the proposals in this Exposure Draft, the AASB and the FRSB have applied the following approach:

- (a) in the first instance, harmonise requirements where the nature of the requirements are similar in both jurisdictions (harmonisation may include blending similar paragraphs or adopting a disclosure requirement from one jurisdiction); and
- (b) where a disclosure requirement could not be harmonised and could not be adopted by the other jurisdiction, that disclosure requirement is proposed to be retained as a separate requirement for that jurisdiction.

Harmonisation

Retention

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 relocated disclosure paragraphs of the relevant Australian/New Zealand Standards, in order to make the amendments understandable. The final separate disclosure standards will not include that underlining or striking out. The underlining and striking out used in the proposed separate disclosure standards is consistent with the principles adopted in determining the proposals:

- (a) where a disclosure requirement that cannot be harmonised with the other jurisdiction is relocated with no change in the wording, there is no underlining or striking out to the proposed disclosure requirement;
- (b) where a disclosure requirement that has been harmonised with the other jurisdiction is relocated, and:
 - (i) there are editorial changes made to the original disclosure paragraph(s), the proposed disclosure requirement contains striking out of proposed deleted text and underlining of proposed new text; or
 - (ii) there are substantial changes made to the original disclosure paragraph(s), the original disclosure paragraph(s) is(are) entirely struck out and the proposed harmonised disclosure paragraph(s) is(are) underlined.

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 AASB ED 200A / FRSB ED 121. Where it is proposed that a requirement be relocated to the proposed separate disclosures standard, the accompanying Basis for Conclusions is contained in this Exposure Draft.

Differential Reporting / Qualifying Entities

The AASB and FRSB have agreed to defer convergence of the differential reporting / qualifying entity requirements in each jurisdiction subject to the outcome of the AASB's revision of its differential reporting framework and the New Zealand Ministry of Economic Development and ASRB's review of various aspects of the New Zealand statutory framework for financial reporting.

The AASB and FRSB are seeking views on whether to exempt differential reporting / qualifying entities from complying with any of the disclosure requirements proposed in the separate disclosures standards contained in this Exposure Draft (see question (d) on page 12 of AASB ED 200A / FRSB ED 121).

Application of the Australian Separate Disclosure Standard

The AASB proposes that the Australian disclosure standard AASB 10XX *Australian Additional Disclosures* be applied to:

- (a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the *Corporations Act 2001* and that is a reporting entity;
- (b) general purpose financial statements of each other reporting entity; and
- (c) financial statements that are, or are held out to be, general purpose financial statements.

Application Date

The AASB and the FRSB propose that the additional disclosure requirements proposed in this Exposure Draft would be applicable for reporting periods beginning on or after 1 July 2011, and that the additional disclosure requirements of each Standard would be able to be individually adopted early. If an entity applies an additional disclosure requirement for an earlier period, it would be required to disclose that fact.

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 amendments proposed in AASB ED 200A / FRSB ED 121.

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 in pages 12-13 of AASB ED 200A / FRSB ED 121 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 questions, it is necessary to read AASB ED 200A / FRSB ED 121 in conjunction with this Exposure Draft.

The questions are listed on pages 12-13 of AASB ED 200A / FRSB ED 121.

Guidelines for Respondents

Respondents do not need to comment on all of the proposed additional disclosure requirements in this Exposure Draft or all of the proposed amendments in AASB ED 200A / FRSB ED 121 or all of the questions. The AASB and FRSB are not requesting comments on matters that have not been addressed in this Exposure Draft.

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 alternative, not on the number of respondents supporting each alternative.

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.

**[DRAFT] ACCOUNTING STANDARD
AASB 10XX**

AUSTRALIAN ADDITIONAL DISCLOSURES

Introduction

As discussed in AASB ED 200A / FRSB ED 121, the AASB proposes the following paragraphs to be relocated to this separate disclosure standard.

Definitions with specified meanings

The AASB proposes to relocate some definitions with specific meanings currently contained in paragraph Aus7.1 of AASB 101 *Presentation of Financial Statements*.

Compliance with Australian Accounting Standards

The AASB proposes to relocate the compliance paragraph from paragraph Aus15.2 of AASB 101 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 of AASB 101 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 of AASB 101.

Audit fee disclosures

The AASB proposes to relocate the disclosures relating to audit fees under paragraphs Aus138.1 and Aus138.2 of AASB 101 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 of AASB 101 and to reword them to harmonise with the equivalent New Zealand disclosures.

AASB 101 Preparation of Financial Statements

Definitions with specified meanings

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.

[Source: AASB 101 paragraph Aus7.1]

Retention

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.

Specific Basis for Conclusions

- BC1 The definition of 'annual reporting period' is being retained on the basis that it is used in application paragraphs of AASB Standards, consistent with terminology in the *Australian Corporations Act 2001*.
- BC2 The definition of 'special purpose financial statements' is being retained on the basis that it is used in a disclosure requirement (presently paragraph Aus15.4 of AASB 101) related to the AASB's differential reporting framework.
- BC3 The definition of 'entity' is being deleted on the basis that there is no definition under IFRSs and there is no longer considered to be a need for a specific definition under AASB Standards.

Compliance with Australian Accounting Standards

- 2 ~~An entity shall disclose in the notes a statement whether the~~ whose financial statements comply have been prepared in accordance with Australian Accounting Standards shall make an explicit and unreserved statement of such compliance in the notes. An entity shall not describe financial statements as complying with Australian Accounting Standards unless they comply with all the requirements of Australian Accounting Standards.

[Source: AASB 101 paragraph Aus15.2]

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

~~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.~~

[Source: AASB 101 paragraph Aus15.3]

- 3 An entity shall disclose in the notes:
- (a) the statutory base or other reporting framework, if any, under which the financial statements are prepared;
 - (b) whether, for the purposes of preparing the financial statements, it is a for-profit or not-for-profit entity; and
 - (c) a statement whether the financial statements have been prepared in accordance with full IFRSs as adopted in Australia or the Reduced Disclosure Requirements.

Harmonisation

Significance of amendment

The relocation and harmonisation of disclosure requirements relating to the statutory basis for reporting for alignment with the equivalent New Zealand disclosure requirements may increase the disclosures required of some entities.

Disclosure of GPFS or SPFS

- 4 An entity shall disclose in the notes that the financial statements are general purpose financial statements, or if applicable, *special purpose financial statements*.

[Source: AASB 101 paragraph Aus15.4]

Retention

Significance of amendment

The relocation of the disclosure requirement relating to GPFSs or SPFSs to this separate disclosure standard is not expected to affect practice.

Audit fee disclosures

~~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.~~

~~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~~

Harmonisation

- ~~(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.~~

[Source: AASB 101 paragraphs Aus138.1 and Aus 138.2]

- 5 An entity shall disclose in the notes fees to auditors (each auditor if more than one) paid or payable:
- (a) for the audit or review of the financial statements; and
 - (b) for all other services performed during the reporting period. An entity shall describe the nature of other services comprising the fees disclosed under this category.

Significance of amendment

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

Specific Basis for Conclusions

- BC1 The AASB and the FRSB propose to relocate and amend the audit fee disclosure requirements contained in AASB 101 and NZ IAS 1 *Presentation of Financial Statements* to their respective separate disclosure standards and to harmonise the disclosure requirements across both jurisdictions.
- BC2 The AASB and FRSB consider that the disclosure of audit fees is a matter of accountability and, given that the accountability environment is similar in both jurisdictions, they should have the same audit fee disclosure requirements. The Boards also took the opportunity to simplify the disclosure requirements on the basis that, in recent times both preparers and users have indicated that disclosures in financial statements have become overly complex.

Imputation credit disclosures

~~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.~~

~~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.~~

~~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.~~

[Source: AASB 101 paragraphs Aus138.3, Aus 138.4 and Aus138.5]

- 6.1 The term ‘imputation credits’ is used in paragraphs 6.2 and 6.4 to also mean ‘franking credits’. The disclosures required by paragraphs 6.2 and 6.4 shall be made separately in respect of any New Zealand imputation credits and any Australian imputation credits.
- 6.2 An entity shall disclose the amount of imputation credits available for use in subsequent reporting periods.
- 6.3 For the purposes of determining the amount required to be disclosed in accordance with paragraph 6.2, entities may have:
- (a) imputation credits that will arise from the payment of the amount of the provision for income tax;
 - (b) imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
 - (c) imputation credits that will arise from the receipt of dividends recognised as receivables at the reporting date.
- 6.4 Where there are different classes of investors with different entitlements to imputation credits, disclosures shall be made about the nature of those entitlements for each class where this is relevant to an understanding of them.

Significance of amendment

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

Specific Basis for Conclusions

- BC1 The AASB and FRSB propose to relocate the imputation credit disclosure requirements contained in AASB 101 and NZ IAS 12 *Income Taxes* to their respective separate disclosure standards and to harmonise the disclosure requirements across both jurisdictions.
- BC2 The AASB and FRSB note that Australia and New Zealand are among a limited number of jurisdictions that have an imputation tax regime and acknowledge the decision usefulness of information about imputation credits to users of financial information. Accordingly, the AASB and FRSB decided that these additional disclosure requirements should be retained.
- BC3 Given that both jurisdictions have additional disclosure requirements about imputation credits, and that the imputation regimes in each jurisdiction are highly similar, the Boards have harmonised the wording across both jurisdictions. The Boards also took the opportunity to simplify the disclosure requirements on the basis that, in recent times both preparers and users have indicated that disclosures in financial statements have become overly complex.

Effective date and transition

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

**[DRAFT] ACCOUNTING STANDARD
FRS XX**

NEW ZEALAND ADDITIONAL DISCLOSURES

Introduction

As discussed in AASB ED 200A / FRSB ED 121, the FRSB proposes the following paragraphs be relocated to this separate disclosure standard.

Definitions relating to the Statement of Service Performance

The FRSB proposes to relocate some definitions currently contained in paragraph NZ 8.1 of NZ IAS 1 *Presentation of Financial Statements*.

Disclosure of the statutory basis

The FRSB proposes to relocate paragraph NZ 15.1 of NZ IAS 1 and to reword it to harmonise with the equivalent Australian requirement.

Compliance with NZ IFRSs

The FRSB proposes to relocate paragraph NZ 15.3 of NZ IAS 1 and to reword it to harmonise with the equivalent Australian requirement.

Prospective Financial Statements

The FRSB proposes to relocate paragraphs NZ 46.1 and NZ 46.2 of NZ IAS 1.

Audit fee disclosures

The FRSB proposes to relocate the disclosures relating to audit fees under paragraph NZ 105.1 of NZ IAS 1 and to reword them to harmonise with the equivalent Australian requirements.

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 of NZ IAS 1.

Disclosures relating to imputation credits and dividend withholding payment credits

The FRSB proposes to relocate the disclosures relating to imputation credits and dividend withholding payment credits in paragraph NZ 81.1 of NZ IAS 12 *Income Taxes* and to reword them to harmonise with the equivalent Australian requirements.

Asserting compliance with applicable financial reporting standards

The FRSB proposes to relocate paragraph NZ 19.1 of NZ IAS 34 *Interim Financial Reporting* which relates to asserting compliance with NZ IFRSs.

NZ IAS 1 *Preparation of Financial Statements*

Definitions relating to the Statement of Service Performance

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.

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.

[Source: NZ IAS 1 paragraph NZ 8.1]

Retention

Significance of amendment

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

Compliance with NZ IFRSs

2 An entity shall ~~not assert compliance with NZ IFRSs, and other applicable Financial Reporting Standards, as appropriate for that entity unless the financial statements make an explicit and unreserved statement of such compliance in the notes. An entity shall not describe financial statements as complying with NZ IFRSs unless they comply with all the relevant requirements of those standards~~ with all the requirements of NZ IFRSs.

[Source: NZ IAS 1 paragraph NZ 15.3]

Harmonisation

Significance of amendment

This 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.

Disclosure of the statutory basis

3 An entity shall disclose in the notes:

- (a) the statutory base or other reporting framework, 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 a statement that whether the financial statements have been prepared in accordance with NZ GAAP; and~~

Harmonisation

Additional New Zealand specific requirement

- (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.~~ if, for the purposes of complying with NZ GAAP, it is a qualifying entity and has applied differential reporting concessions.

[Source: NZ IAS 1 paragraph NZ 15.1]

Harmonisation

Significance of amendment

The relocation of disclosure requirements relating to the nature of the reporting entity for harmonisation with the equivalent Australian disclosure requirements involves editorial changes and is not expected to affect practice. The deletion of paragraph NZ 15.1(c) of NZ IAS 1 is due to the duplication of the requirements in paragraph NZ 12.1 of NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Prospective Financial Statements

- 4.1 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.
- 4.2 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.

[Source: NZ IAS 1 paragraph NZ 46.1 and NZ 46.2]

Retention

Significance of amendment

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

Audit Fee Disclosures

~~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 all 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 financial statements.~~

[Source: NZ IAS 1 paragraph NZ 105.1]

- 5 An entity shall disclose in the notes fees to auditors (each auditor if more than one) paid or payable:
- (a) for the audit or review of the financial statements; and
 - (b) for all other services performed during the reporting period. An entity shall describe the nature of other services comprising the fees disclosed under this category.

Significance of amendment

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

Specific Basis for Conclusions

- BC1 The AASB and the FRSB propose to relocate the audit fee disclosure requirements contained in AASB 101 and NZ IAS 1 to their respective separate disclosure standards and to harmonise the disclosure requirements across both jurisdictions.
- BC2 The AASB and FRSB consider that the disclosure of audit fees is a matter of accountability and, given that the accountability environment is similar in both jurisdictions, they should have the same audit fee disclosure requirements. The Boards also took the opportunity to simplify the disclosure requirements on the basis that, in recent times both preparers and users have indicated that disclosures in financial statements have become overly complex.

Elements in the Statement of Service Performance

- 6.1 Where a statement of service performance is presented it shall describe and disclose the outputs of an entity. Similar individual outputs may be aggregated.
- 6.2 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.
- 6.3 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.
- 6.4 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.

- 6.5 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.
- 6.6 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.
- 6.7 The statement of service performance shall present both projected service performance and actual service performance.
- 6.8 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.
- 6.9 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.
- 6.10 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.

[Source: NZ IAS 1 paragraphs NZ 138.1 to NZ 138.10]

Significance of amendment

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

NZ IAS 12 *Income taxes*

Disclosures relating to imputation credits and dividend withholding payment credits

~~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.~~~~

[Source: NZ IAS 12 paragraph NZ 81.1]

- 7.1 The term ‘imputation credits’ is used in paragraphs 7.2 and 7.4 to also mean ‘franking credits’. The disclosures required by paragraphs 7.2 and 7.4 shall be made separately in respect of any New Zealand imputation credits and any Australian imputation credits.
- 7.2 An entity shall disclose the amount of imputation credits available for use in subsequent reporting periods.
- 7.3 For the purposes of determining the amount required to be disclosed in accordance with paragraph 7.2, entities may have:
- (a) imputation credits that will arise from the payment of the amount of the provision for income tax;
 - (b) imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
 - (c) imputation credits that will arise from the receipt of dividends recognised as receivables at the reporting date.
- 7.4 Where there are different classes of investors with different entitlements to imputation credits, disclosures shall be made about the nature of those entitlements for each class where this is relevant to an understanding of them.

Significance of amendment

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

Specific Basis for Conclusions

- BC1 The AASB and FRSB propose to relocate the imputation credit disclosure requirements contained in AASB 101 and NZ IAS 12 to their respective separate disclosure standards and to harmonise the disclosure requirements across both jurisdictions.
- BC2 The AASB and FRSB note that Australia and New Zealand are among a limited number of jurisdictions that have an imputation tax regime and acknowledge the decision usefulness of information about imputation credits to users of financial information. Accordingly, the AASB and FRSB decided that these additional disclosure requirements should be retained.
- BC3 Given that both jurisdictions have additional disclosure requirements about imputation credits, and that the imputation regimes in each jurisdiction are highly similar, the Boards have harmonised the wording across both jurisdictions. The Boards also took the opportunity to simplify the disclosure requirements on the basis that, in recent times both preparers and users have indicated that disclosures in financial statements have become overly complex.

NZ IAS 34 *Interim Financial Reporting*

Asserting compliance with applicable financial reporting standards

- 8 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.

[Source: NZ IAS 34 paragraph NZ 19.1]

Retention

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.

Effective date and transition

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