

AASB Exposure Draft

ED 227
October 2012

Proposed Amendments to AASB 1049 – Extension of Transitional Relief for the Adoption of Amendments to the ABS GFS Manual relating to Defence Weapons Platforms

Comments to the AASB by 19 November 2012



Australian Government

**Australian Accounting
Standards Board**

Commenting on this AASB Exposure Draft

Comments on this Exposure Draft are requested by 19 November 2012.
Comments should be addressed to:

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All submissions on possible, 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 agrees to submissions being treated as confidential. The latter will occur only if the public interest warrants such treatment.

Obtaining a Copy of this AASB Exposure Draft

This Exposure Draft is available on the AASB website: www.aasb.gov.au.
Alternatively, printed copies of this Exposure Draft are available by contacting:

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[Draft] Australian Accounting Standard AASB 10XX *Amendments to AASB 1049 – Extension of Transitional Relief for the Adoption of Amendments to the ABS GFS Manual relating to Defence Weapons Platforms* is set out in paragraphs 1 – 7. All the paragraphs have equal authority. Paragraphs in **bold type** state the main principles. AASB 10XX is to be read in the context of other Australian Accounting Standards, including AASB 1048 *Interpretation of Standards*, which identifies the Australian Accounting Interpretations. In the absence of explicit guidance, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies.

PREFACE

Introduction

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 (GGS); 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.

Exposure Drafts

The publication of an Exposure Draft is part of the due process that the AASB follows before making a new Australian Accounting Standard or amending an existing one. Exposure Drafts are designed to seek public comment on the AASB's proposals for new Australian Accounting Standards or amendments to existing Standards.

Main Features of this Exposure Draft

This Exposure Draft proposes an amendment to AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (as amended), to provide a further 2-year period of transitional relief from the requirement to adopt Chapter 2 *Amendments to Defence Weapons Platforms* of the Australian Bureau of Statistics (ABS) publication *Amendments to Australian System of Government Finance Statistics, 2005* (ABS Catalogue No. 5514.0) – published on the ABS website on 5 April 2011 – in the financial statements prepared in accordance with AASB 1049. The effect of the relief is to defer the adoption from annual reporting periods ending on or after 30 June 2013 to annual reporting periods ending on or after 30 June 2015.

Request for Comments

Comments are invited on the proposal in this Exposure Draft by 19 November 2012. Submissions play an important role in the decisions that

the AASB will make in regard to a Standard. The AASB would prefer that respondents express a clear overall opinion on whether the proposal is supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on the major issues. The AASB regards supportive and critical comments as essential to a balanced review of the issues and will consider all submissions.

Specific Matters for Comment

The AASB would particularly value comments on the following:

- 1 whether you agree with the proposal to extend the transitional relief for a further 2-year period (refer to paragraph 7 and the Basis for Conclusions); and
- 2 whether there are any regulatory issues or other issues arising in the Australian environment that may affect the proposal.

ACCOUNTING STANDARD AASB 10XX
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Objective

- 1 The objective of this Standard is to amend AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (as amended) to extend the existing transitional relief for the adoption of Chapter 2 *Amendments to Defence Weapons Platforms* of the ABS publication *Amendments to Australian System of Government Finance Statistics, 2005* (ABS Catalogue No. 5514.0) – published on the ABS website on 5 April 2011 – for financial statements prepared in accordance with AASB 1049.

Application

- 2 **This Standard applies to each government’s whole of government general purpose financial statements and General Government Sector (GGS) financial statements.**
- 3 **This Standard applies to annual reporting periods beginning on or after 1 July 2012.**
- 4 **This Standard may be applied to annual reporting periods beginning on or after 1 January 2009 but before 1 July 2012. When an entity applies this Standard to such an annual reporting period, it shall disclose that fact.**
- 5 **The requirements specified in this Standard apply to the financial statements where information resulting from their application is material in accordance with AASB 1031 *Materiality*.**
- 6 **This Standard uses underlining, striking out and other typographical material to identify some of the amendments to AASB 1049, in order to make the amendments more understandable. However, the amendments made by this Standard do not include that underlining, striking out or other typographical material.**

Amendments to AASB 1049

- 7 Paragraph 13B is amended as follows (new text is underlined and deleted text is struck through) and paragraph 13C is added:

13B Subject to paragraph 13C, for ~~For~~ the purpose of this Standard, a government shall apply the version of the ABS GFS Manual effective at the beginning of the previous annual reporting period or any version effective at a later date, as the basis for GFS information included in the financial statements under this Standard. The date on which amendments to the ABS GFS Manual become effective is, for the purpose of this Standard, the publication date if no effective date is specified by the ABS.

13C A government may elect not to apply Chapter 2 *Amendments to Defence Weapons Platforms* of the ABS publication *Amendments to Australian System of Government Finance Statistics, 2005* (ABS Catalogue No. 5514.0) – published on the ABS website on 5 April 2011 – in the financial statements prepared in accordance with this Standard for reporting periods ending before 30 June 2015.

BASIS FOR CONCLUSIONS

This Basis for Conclusions accompanies, but is not part of, AASB 10XX.

Background

- BC1 This Basis for Conclusions summarises the Australian Accounting Standards Board's considerations in reaching the conclusions in the Exposure Draft. Individual Board members gave greater weight to some factors than to others.
- BC2 On 5 April 2011, the ABS published on its website, Chapter 2 *Amendments to Defence Weapons Platforms* of the ABS publication *Amendments to Australian Government Finance Statistics, 2005* (ABS Catalogue No. 5514.0). Due to the interrelationship between the ABS GFS Manual and AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, the effect of the ABS Chapter 2 Amendments would be to require assets that are the subject of Chapter 2 to be measured at fair value, where reliably measurable, in the financial statements prepared in accordance with AASB 1049 (as amended) for reporting periods beginning on or after 1 July 2012.

Considerations in extending the transitional relief

- BC3 The Board considered a submission arguing that more time was needed to measure assets classified as defence weapons platforms at fair value, for the purposes of financial reporting under AASB 1049 (as amended), due to the magnitude and complexity of the valuation exercise for such assets. Constituents familiar with the nature and quantity of the assets involved advised the Board that an extension of transitional relief for 2 years would be required to comply. The Board agreed that the extension is warranted, and considered that such an extension should be sufficient and therefore would not expect to provide further relief for such assets in the future.
- BC4 The Board also considered the existing disclosure requirements in paragraphs 39(a)(ii) and 39A of AASB 1049 and decided they would be adequate during the extended period in which the ABS Chapter 2 Amendments are not applied in the financial statements prepared in accordance with AASB 1049.
- BC5 One Board member, Ian McPhee, abstained from voting on the issue of this Exposure Draft, which significantly affects only one Government, due to his role as the Auditor-General of that Government.