Technical Accounting Alert

AASB 108 disclosures for standards issued not yet effective

Introduction

When the accounting standards boards (AASB / IASB) issue a new pronouncement with an effective date after the next reporting date of an entity; an entity has a choice.

The standard can either:

- be early adopted via a directors minute (an example minute is included in this alert) and disclosed in the financial statements or
- not be adopted, in which case paragraph 30 of AASB 108 *Accounting policies, changes in accounting estimates and errors* should be complied with as described below.

Requirements of paragraph 30 of AASB 108

When an entity has elected not to early adopt a new Accounting Standard / Interpretation that has been issued but is not yet effective, paragraph 30 of AASB 108 requires the entity to disclose:

a this fact; and

b known or reasonably estimable information relevant to assessing the possible impact the application of the new Australian Accounting Standard will have on the entity's financial report in the period of initial application.

AASB 108 suggests that to comply with the above requirements the entity should disclose:

a the title of the new Australian Accounting Standard;

b the nature of the impending change or changes in accounting policy;

c the date by which application of the Australian Accounting Standard is required;

d the date at which it plans to apply the Australia Accounting Standard initially; and e either

i a discussion of the impact that initial application of the Australian Accounting Standard is expected to have on the entity's financial report or

ii if the impact is not known or reasonably estimable, a statement to that effect.

Purpose of this update

The purpose of this TA Alert is to provide information regarding the Accounting Standards / Interpretations with an effective date post 31 December 2009.

This will allow entities to determine:

- whether to early adopt these standards or
- the impact of these standards on their reported financial position or performance if choosing not to early adopt.

Note that AASB 108 is a mandatory accounting standard for all entities preparing financial reports.

Standards / interpretations with an effective date post 31 December 2009

(The list represents accounting standards / interpretations issued by the Australian Accounting Standards Board (AASB) and International Accounting Standards Board (IASB) at 25 November 2009).

Note: where an entity includes an explicit and unreserved statement of compliance with IFRS as required by AASB 101; the entity needs to consider standards issued by the IASB not yet issued by the AASB due to timing. This is likely to apply to all entities except for those issuing special purpose financial reports and not-for-profit entities.

Whilst we have provided suggested actions in relation to each of these standards and interpretations, further advice or research should be performed where the standard may have specific implications based on the balances / transactions occurring.

Early adoption of standards

Where standards are early adopted, the following director's minutes may be used for Corporations Act entities:

In accordance with s334(5) of the Corporations Act, the Directors are early adopting the following accounting standards:

- *list standards / interpretations*

New / revised pronouncement	Superseded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Example disclosure of impact of new standard on the financial report (if standard is not early adopted)	Related pronouncement which must be early adopted if this standard is early adopted	Likely impact
Accounting Standards						
AASB 1 *First time adoption of Australian Accounting Standards* (May 2009) – "AASB 1R"	AASB 1 First Time adoption of Australian Equivalents to International Financial Reporting Standards (June 2007)	Structure of the standard has been amended for ease of use.	30 June 2010	As this is not the first year of adoption of IFRSs, these amendments will not have any impact on the entity's financial report	None	No impact for entities who have transitioned to IFRS.
AASB 3 Business Combinations (March 2008) – "AASB 3R"	AASB 3 Business Combinations (April 2007)	AASB 3R amends how entities account for business combinations and changes in ownership interests in subsidiaries. Many changes have been made to this standard affecting acquisition related costs, step acquisitions, measurement of goodwill and contingent considerations. AASB 3 also replaces the term "Minority Interest" with "Non-controlling Interest". AASB 3 is applied prospectively. See TA Alert 2008 – 12 for more detailed information.	Business combinations occurring on or after an annual reporting period **beginning on** or after 1 July 2009	As the entity has not been a party to a business combination during the year, this standard is not expected to have any impact on the entity's financial report. Note: If the entity has been a party to a business combination during the year entity please contact nas@grantthornton.com.au for assistance with this disclosure.	AASB 127 (March 2008) AASB 2008 -3	Significant impact for entities undertaking business combinations.
AASB 127 Consolidated and Separate Financial Statements (March 2008) – "AASB 127R"	AASB 127 Consolidated and Separate Financial Statements (July 2004)	AASB 127R amends how entities account for business combinations and changes in ownership interests in subsidiaries. Many changes were made to this standard affecting acquisitions and disposals which do not result in a change of control, partial disposals where control is lost, attribution of profit or loss to non-controlling interests and loss of significant influence or control in relation to Associates and Joint Ventures. AASB 127 replaces the term "Minority Interest" with the "Non-controlling Interest". AASB 127 is applied retrospectively, with certain exceptions relating to the significant changes made in this revision. See TA Alert 2008 – 12 for more detailed information on the changes arising from AASB 127.	30 June 2010	As the transitional provisions of AASB 127 provide that the changes to the recognition and measurement criteria within AASB 127 resulting from this revision do not apply retrospectively to business combinations effected prior to the amendments being adopted, this standard is not expected to have any impact on the entity's financial report.	AASB 3 (March 2008) AASB 2008 - 3	Significant impact for entities who have changed ownership percentage of subsidiaries.

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IFRS 9 Financial Instruments (to be issued in Australia as AASB 9)	AASB 139 Financial Instruments: Recognition and Measurement (part)	IFRS 9 introduces new requirements for the classification and measurement of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in AASB 139 and removes the impairment requirement for financial assets held at fair value. See TA Alert 2009-22 for further information.	31 December 2013	IFRS 9 amends the classification and measurement of financial assets; the entity has not yet determined the impact of this standard due to it's late release date.	IFRS 9	Depending on assets held, there may be significant movement of assets between fair value and cost categories and ceasing of impairment testing on available for sales assets.
AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107]	Various	AASB 2008-3 was issued after the AASB revised AASB 3 and AASB 127, as consequential amendments were necessary to other Australian Accounting Standards. See TA Alert 2008 – 12 on AASB 3 and AASB 127.	30 June 2010	See above for AASB 3 and AASB 127 information.	AASB 3 (March 2008) AASB 127 (March 2008)	See above for AASB 3 and AASB 127 information.
AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1 & 5]	AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards and AASB 5 Non-current assets Held for Sale and Discontinued Operations	AASB 2008-6 amends AASB 1 and AASB 5 to include requirements relating to a sale plan involving the loss of control of a subsidiary. The amendments require all the assets and liabilities of such a subsidiary to be classified as held for sale and clarify the disclosures required when the subsidiary is part of a disposal group that meets the definition of a discontinued operation. See TA Alert 2008-13 for further information.	30 June 2010	As the entity does not have any plans to lose control of a subsidiary, these amendments will not have any impact on the entity's financial report.	AASB 1 AASB 5	Increased disclosure for entities that have lost control of a subsidiary.

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AASB 2008-8 Amendments to Australian Accounting Standards - Eligible Hedged Items [AASB 139]	AASB 139 Financial Instruments: Recognition and Measurement	AASB 2008-8 makes amendments to AASB 139 to clarify the application of some of AASB 139's requirements on designation of a risk or a portion of cash flows for hedge accounting purposes. The main issues addressed are: – Designation of one-sided risks – Designation of portions of cash flows of a financial instrument, with reference to inflation components; and – Hedge effectiveness when hedging one-sided risks with a purchased option. See TA Alert 2008-15 for further information.	30 Jun 2010	As the entity does not apply cash flow hedge accounting, these amendments will not have any impact on the entity's financial report.	None	Impact depends on type of hedge and risks being mitigated.
AASB 2008-11 Amendments to Australian Accounting Standard – Business Combinations Among Not-for-Profit Entities [AASB 3]	AASB 3 Business Combinations (March 2008)	AASB 2008-11 mandates that the requirements in AASB 3 (March 2008) are applicable to business combinations among not-for-profit entities (other than restructures of local governments) that are not commonly controlled. It also allows those requirements to be early adopted by not-for-profit entities. Also included are specific recognition, measurement and disclosure requirements relating to local government restructures.	30 June 2010	As the entity is a for-profit entity, this standard is not expected to have any impact on the entity's financial report. OR As the entity has not been a party to a business combination during the year, this standard is not expected to have any impact on the entity's financial report. Note: If the entity is a not-for-profit entity and has been a party to a business combination during the year, please contact nas@grantthornton.com.au for assistance with this disclosure.	AASB 127 (March 2008) AASB 2008 -3	Significant impact for not-for-profit entities involved in business combinations.
AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners [AASB 5 & AASB 110]	Various	AASB 2008-13 makes amendments to AASB 5 and AASB 110 resulting from the issue of Interpretation 17. The amendments relate to the classification, presentation and measurement of non-current assets held for distribution to owners and the disclosure requirements for dividends that are declared after the reporting period but before the financial statements are authorised for issue.	30 June 2010	As the entity has not declared any non-cash dividends to owners during the year, this interpretation is not expected to have any impact on the entity's financial report.	Interpretation 17	Significant impact for entities declaring non-cash dividends.

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AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2, AASB 138 and AASB Interpretations 9 & 16]	N/a	Makes various amendments to a number of standards and interpretations in line with the IASB annual improvements project. See TA Alert 2009-16 for further information.	30 June 2010	Given the number of standards amended by AASB 2009-4, an example disclosure is not included. Entities assess the impact of each of the amendments on their organisation.	Related standard where applicable	Varies depending on relevance, however impact is unlikely to be significant.
AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	N/a	Makes various amendments to a number of standards and interpretations in line with the IASB annual improvements project. See TA Alert 2009-16 for further information.	31 December 2010	Given the number of standards amended by AASB 2009-5, an example disclosure is not included. Entities assess the impact of each of the amendments on their organisation.	Related standard where applicable	Varies depending on relevance, however impact is unlikely to be significant.
AASB 2009-7 Amendments to Australian Accounting Standards [AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17]	Various	AASB 2009-7 makes amendments to correct errors that occurred in AASB 2008-12, AASB 2008-13 and Interpretation 17, as well as amendments which reflect changes made by the IASB to its pronouncements. The editorial amendments have no major impact on the requirements of the amended pronouncements.	30 June 2010	Given the number of standards amended by AASB 2009-4, an example disclosure is not included. Entities assess the impact of each of the amendments on their organisation.	Related standard where applicable	Little impact.
AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions	AASB 2 Share-based Payment	AASB 2009-8 makes amendments which clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. See TA Alert 2009-17 for further information.	31 December 2010	As the entity does not make any group cash-settled share-based payment transactions, these amendments will not have any impact on the entity's financial report.	AASB 2	Significant if group share-based payment agreements are in place.
AASB 2009-9 Amendments to Australian Accounting Standards – Additional Exemptions for First-time Adopters	AASB 1 First Time adoption of Australian Equivalents to International Financial Reporting Standards (June 2007)	AASB 2009-9 makes amendments to ensure that entities applying Australian Accounting Standards for the first time will not face undue cost or effort in the transition process in particular situations.	31 December 2010	As this is not the first year of adoption of IFRSs, these amendments will not have any impact on the entity's financial report	AASB 1	No impact for entities who are applying IFRS.

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AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues	AASB 132 Financial Instruments: Presentation	AASB 2009-10 makes amendments which clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all existing owners of the same class of its non-derivative equity instruments. See TA Alert 2009-21 for further information.	31 January 2011	As the entity does not have any rights, options or warrants to acquire their own equity instruments, these amendments will not have any impact on the entity's financial report.	AASB 132	Potentially significant if rights issues have been offered and denominated in foreign currency.

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Australian Accounting Interpretations						
Interpretation 17 Distributions of Non-cash Assets to Owners	N/A	This Interpretation provides guidance on how entities should measure distributions of assets other than cash when it pays dividends to its owners, except for common control transactions.	30 June 2010	As the entity has not declared any non-cash dividends to owners during the year, this interpretation is not expected to have any impact on the entity's financial report.	AASB 2008-13	Significant if non-cash dividends have been distributed.
Interpretation 18 Transfers of Assets from Customers	N/A	This Interpretation clarifies the accounting for agreements in which an entity receives an item of PPE from a customer that they must use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services.	Asset transfers received on or after 1 July 2009	As the entity does not have any agreements in place under the scope of Interpretation 18; this standard is not applicable to the entity.	None	Significant if the entity receives transfers of assets from customers, eg utility entity.
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	N/A	This interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. These transactions are sometimes referred to as 'debt for equity swaps'. See TA Alert 2009-25 for further information.	1 July 2010	As the entity has not renegotiated any financial liabilities into equity instruments this interpretation is not expected to have any impact on the entity's financial report.	None	Significant if the entity has renegotiated any financial liabilities to equity instruments.

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Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14)	N/A	This amendment to Interpretation 14 addresses the unintended consequences that can arise from the previous requirements when an entity prepays future contributions into a defined benefit pension plan. See TA Alert 2009-26 for further information.	1 January 2011	As the entity does not have a defined benefit pension plan this amendment to Interpretation 14 is not expected to have any impact on the entity's financial report.	IFRIC 14	Possibly significant if the entity has a defined benefit pension plan.

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Action Required

- Entities should discuss the relevant disclosure requirements and information with their Grant Thornton Australia contact to ensure completeness and accuracy of information disclosed under paragraph 30 of AASB 108.
- Further information on any of the above standards / interpretations can be obtained from your local Grant Thornton Australia contact or a member of the National Audit Support team on NAS@grantthornton.com.au