



Technical Accounting Alert

What's New for June 2009 reporting

Introduction

The purpose of this alert is to provide details on new standards which are effective for the first time at 30 June 2009 and to remind entities of new standards which although are not yet effective, should be considered in order to change accounting process and policies, as relevant.

Overview

In 2006, the International Accounting Standards Board ("IASB") announced that it would not require the mandatory application of new standards under development or major amendments to existing standards before 1 January 2009.

This was as a result of the IASB's ongoing review of its work program and of market practices, as the board was trying to provide a stable platform of standards for those countries that adopted IFRSs in 2005 and to allow new countries to adopt IFRS.

This means that whilst standards were issued since 2006, they were not mandatory until the 2009 / 2010 financial year.

We will therefore see a number of new and revised standards becoming effective for the first time for 30 June 2009 half years and 31 December 2009 and 30 June 2010 year ends, particularly in the following areas:

- Segment reporting
- Presentation of financial statements
- Borrowing costs
- Financial instruments
- Share based payment
- Business combinations

This alert covers the key standards and interpretations which Grant Thornton believes will have the most impact for our clients.

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Pronouncements effective for 30 June 2009 year ends

Name of pronouncement	Summary of pronouncements
<p>Reclassification of financial assets – Amendments to IAS 39 and IFRS 7 (October 2008)</p>	<p>The Amendments permit an entity to:</p> <ul style="list-style-type: none"> • reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances; • transfer from the available for sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if it had not been designated as available for sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. <p>Additional disclosure requirements have been included in IFRS 7 to provide information to readers of the financial statements where an entity opts to reclassify financial assets under the Amendments to IAS 39.</p> <p>Further information regarding these changes can be found in TA alert 2008-19</p>
<p>Interpretation 13 Customer Loyalty Programs (August 2007)</p>	<p>This Interpretation gives guidance on accounting for customer loyalty award credits granted to an entity's customers as part of a sales transaction and which, subject to meeting any further qualifying conditions, the customers can redeem in the future for free or discounted goods or services.</p>
<p>Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities</p>	<p>The amendment to this interpretation primarily reflects changes resulting from the December 2007 amendments to AASB 1004 that prescribe requirements for accounting for "restructures of administrative arrangements".</p>
<p>AASB 2009-3 <i>Embedded derivatives</i> [AASB 139 & Interpretation 9]</p>	<p>This is applicable where entities reclassify or will reclassify hybrid financial instruments in accordance with the October 2008 amendments to IAS 39 as described above. Such entities will need to assess whether there are any embedded derivatives that should have been separated on reclassification. While there is no limitation in scope, the amendments will primarily impact the financial sector where reclassification were particular relevant.</p>

Reminder about upcoming pronouncements – effective for 31 December 2009 year ends and 30 June 2009 half years

Name of pronouncement	Summary of pronouncement
<p>AASB 1039 <i>Concise Financial Reports</i> (August 2008)</p>	<p>This incorporates amendments to terminology and descriptions of the financial statements to achieve consistency with AASB 101 and the rewording of the disclosure requirements relating to segments to achieve consistency with AASB 8.</p>
<p>AASB 8 <i>Operating Segments</i> and AASB 2007-3 – Consequential amendments arising out of AASB 8</p>	<p>AASB 8 is applicable only to listed entities and those in the process of listing.</p> <p>It requires segment information be disclosed using the management approach. This may result in a different set of segments being identified than those previously disclosed under AASB 114.</p> <p>See TA alert 2008 - 3 for further information on the requirements of AASB 8.</p>

Name of pronouncement	Summary of pronouncement
<p>AASB 123 <i>Costs</i> (June 2007) and AASB 2007-6 – Consequential amendments arising out of AASB 123</p>	<p>AASB 123 removes the option to immediately expense borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset.</p> <p>See 2008-17 Borrowing Costs for further information</p>
<p>AASB 101 <i>Presentation of Financial Statements</i> (September 2007) and AASB 2007-9 / AASB 2007-10 – Consequential amendments arising out of AASB 101</p>	<p>AASB 101 contains a number of changes from the previous AASB 101. The main changes are to require that an entity must:</p> <ul style="list-style-type: none"> • present all non-owner changes in equity ('comprehensive income') either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income • present an additional statement of financial position (balance sheet) and associated notes as at the beginning of the earliest comparative period when the entity applies an accounting policy retrospectively, makes a retrospective restatement, or reclassifies items in its financial statements • disclose income tax relating to each component of other comprehensive income • disclose reclassification adjustments relating to components of other comprehensive income <p>There are other changes to terminology, however these are not mandatory.</p> <p>See 2008 - 08 Revised AASB 101 Presentation of Financial Statements for further information.</p>
<p>AASB 2008-1 <i>Share-based payments: Vesting conditions and cancellations</i> [Amendment to AASB 2]</p>	<p>AASB 2008-1 was issued after the AASB made changes to AASB 2 Share Based Payments including:</p> <ul style="list-style-type: none"> • Clarifying that vesting conditions are service conditions and performance conditions only, and that other features of a share-based payment are not vesting conditions. <p>Cancellations, whether by the entity or by other parties, should be accounting for consistently.</p>
<p>AASB 2008-2 Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation [AASB 7, AASB 101, AASB 132, AASB 139 & Interpretation 2]</p>	<p>AASB 2008-2 makes amendments to AASB 132 and AASB 101, permitting certain puttable financial instruments to be classified as equity rather than liabilities, subject to certain criteria being met.</p>
<p>AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual</p>	<p>AASB 2008-5 makes a number of minor, but necessary amendments to different Standards arising from the annual improvements project. The amendments largely clarify accounting treatments where previous practice had varied, with some new or amended requirements introduced.</p>

Name of pronouncement	Summary of pronouncement
<p>Improvements Project</p> <p>[AASB 5, 7, 101, 102, 107, 108, 110, 116, 118, 119, 120, 123, 127, 128, 129, 131, 132, 134, 136, 138, 139, 140, 141, 1023 & 1038].</p>	<p>The changes addressed include</p> <ul style="list-style-type: none"> • accounting for advertising and promotional expenditure – expensed as incurred • investment property under construction - now covered under the scope of AASB 140 • the reclassification to inventories of property, plant and equipment previously held for rental when the assets cease to be rented and are held for sale.
<p>AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project</p> <p>[AASB 1 & AASB 5]</p>	<p>AASB 2008-6 makes further amendments arising from the annual improvements project. These amendments are made to AASB 1 and AASB 5 to include requirements relating to:</p> <ul style="list-style-type: none"> • a sale plan involving the loss of control of a subsidiary, and the requirements for all assets and liabilities of such subsidiaries to be classified as held for sale. • disclosure requirements are also clarified.
<p>AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</p> <p>[AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136]</p>	<p>This makes changes to a number of accounting standards, for the purpose of reducing the burden on parent entities when complying with AASB 127 and measuring the cost of a subsidiary at acquisition in their separate financial statements in certain circumstances. The amendments are to apply only on initial application of Australian Equivalents to International Financial Reporting Standards (AASBs).</p>
<p>Interpretation 15 <i>Agreements for the Construction of Real Estate</i></p>	<p>This Interpretation aims to standardise accounting practice among real estate developers for sales of units, such as apartments or houses, 'off plan', i.e. before construction is complete, with regards to the recognition of revenue.</p>

Government standards applicable for either 30 June 2009 or 31 December 2009 year ends

Name of pronouncement	Summary of pronouncement
Applicable for 30 June 2009 year ends	
<p>AASB 1004 Contributions (July 2004)</p>	<p>This incorporates amendments which have the effect of relocating the accounting requirements of contributions from AASs 27, 29 and 31 substantively unamended (with some exceptions) into AASB 1004.</p>

AASB 1049 Financial Reporting of General Government Sectors by Governments (October 2007)	This was issued to amend the standard issued in September 2006; the scope has been expanded to include GAAP / GFS harmonisation requirements for financial reporting by whole of governments and the sectors therein.
AASB 1050 Administered Items(December 2007)	This was issued following the AASB decision to relocate the requirements for the disclosure of administered items from AAS 29, substantively unamended (with some exceptions, as noted in Appendix A to AASB 1051), into a new topic-based Standard, AASB 1050. AASB 1050 applies only to general purpose financial reports of government departments.
AASB 1051 Land Under Roads (December 2007)	Issued when the AASB made substantial changes to the requirements of AAS 27, 29 and 31 and decided to relocate the amended requirements into a new topic-based Standard, AASB 1051. AASB 1051 applies only to general purpose financial reports of local governments, government departments, GGSs and whole of governments.
AASB 1052 Disaggregated Disclosures (December 2007)	Issued following the AASB decision to relocate the requirements relating to reporting of disaggregated information by local governments from AAS 27 and government departments from AAS 29, substantively unamended (with some exceptions, as noted in Appendix A), into a new topic-based Standard, AASB 1052. AASB 1052 applies only to general purpose financial statements of local governments and government departments.
AASB 2007-9 – Amendments arising from the review of AAS 27, 29 and 31	This was issued following the AASB decision to relocate the requirements for the disclosure of administered items from AAS 29, substantively unamended (with some exceptions, as noted in Appendix A to AASB 1051), into a new topic-based Standard. AASB 2007-9 includes details of consequential amendments necessary to other standards.
Applicable for 31 December 2009 year ends	
AASB 2008-9 Amendments to AASB 1049 for Consistency with AASB 101	AASB 2008-9 makes amendments to AASB 1049 to ensure consistency with AASB 101 Presentation of Financial Statements (September 2007). This alignment is consistent with the broad approach taken in the AASB's Generally Accepted Accounting Principles/Government Finance Statistics (GAAP/GFS) Harmonisation project.

Further information

For further information on any of the information included in this TA alert, please contact your local Grant Thornton Australia contact or a member of the National Audit Support team at NAS@grantthornton.com.au