Grant Thornton

# Technical Accounting Alert

## AASB 108 disclosures for standards issued not yet effective

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:

- this fact; and
- 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 Australian 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 alert

The purpose of this TA Alert is to provide information regarding the Accounting Standards/Interpretations that have been issued with an effective date post 31 December 2010.

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 2010

(The list represents accounting standards / interpretations issued by the Australian Accounting Standards Board (AASB) and International Accounting Standards Board (IASB) as at 31 October 2010).

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 an indicative impact 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 within the entity.

## Early adoption of standards

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

*In accordance with s.334(5) of the Corporations Act, the Directors are early adopting the following accounting standards:*

- *list standards / interpretations*

| New/revised pronouncement | Superseeded 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 adopted early) | Related pronouncement which must be early adopted if this standard is early adopted | Likely impact |
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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.<br><br>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. |
| AASB 9 Financial Instruments<br><br>AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 | AASB 139 Financial Instruments: Recognition and Measurement (part) | AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. AASB 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.<br><br>In addition, the majority of requirements from AASB 139 for the classification and measurement of financial liabilities has been carried forward unchanged, except in relation to own credit risk where an entity takes the option to measure financial liabilities at fair value. AASB 9 requires the amount of the change in fair value due to changes in the entity's own credit risk to be presented in other comprehensive income (OCI), unless there is a accounting mismatch in the profit or loss, in which case all gains or losses are to be presented in the profit or loss. | 31 December 2013 | AASB 9 amends the classification and measurement of financial assets; the effect on the entity will be that more assets are held at fair value and the need for impairment testing has been limited to assets held at amortised cost only.<br><br>Minimial changes have been made in relation to the classification and measurement of financial liabilities, except 'own credit risk' instruments. The effect on the entity will be that the volatility in the profit or loss will be moved to the OCI, unless there is an accounting mismatch. | AASB 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 sale assets.<br><br>If the entity holds any 'own credit risk' financial liabilities, the fair value gain or loss will be incorporated in the OCI, rather than profit or loss, unless accounting mismatch. |

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| | | The requirements from AASB 139 related to the derecognition of financial assets and liabilities have been incorporated unchanged into AASB 9.<br>See TA Alerts 2009-22 and 2010-49 for further information. | | | | |
| AASB 124 Related Party Disclosures<br>AASB 2009-12 Amendments to Australian Accounting Standards arising from AASB 124. | AASB 124 Related Party Disclosures | This revision amends the disclosure requirements for government related entities and the definition of a related party.<br>See TA Alert 2009-20 for further information. | 31 December 2011 | Since the entity is not a government related entity; there is not expected to be any changes arising from this standard. | AASB 2009-12 | Unlikely to have significant impact in Australia. |
| AASB 2009-13<br>Amendments to AASB 1 arising from Interpretation 19 | Interpretation 19 | This standard amends AASB 1 to allow a first-time adopter to use the transitional provisions in Interpretation 19 as identified in AASB 1048. | 30 June 2011 | As the entity is not a first-time adopter of IFRS, this standard will not have any impact. | AASB 2009-13 | Unlikely to have significant impact. |
| AASB 2009-14 Prepayments of a Minimum Funding Requirement (Amendments to Interpretation 14) | Interpretation 14 | 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.<br>See TA Alert 2009-26 for further information. | 31 December 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. | None | Possibly significant if the entity has a defined benefit pension plan. |

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| AASB 2010-01<br><br>Limited exemption from comparative AASB 7 disclosures for first time adopters (Amendments to AASB 1 and AASB 7) | AASB 1: First-time adoption of Australian Accounting Standards<br><br>AASB 7 Financial instruments: Disclosures | These amendments principally give effect to extending the transition provisions of AASB 2009-2 Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments to first-time adopters of Australian Accounting Standards.<br><br>See TA Alert 2010-54 for further information. | 30 June 2011 | As the entity is not a first-time adopter of IFRS, this standard will not have any impact. | None | Reduced disclosures for first-time adopters. |
| AASB 2010-2<br><br>Amendments to Australian Accounting Standards arising from reduced disclosure requirements | None | This Standard gives effect to Australian Accounting Standards - Reduced Disclosure Requirements. AASB 1053 provides further information regarding the differential reporting framework and the two tiers of reporting requirements for preparing general purpose financial statements.<br><br>Refer to TA Alert 2010-24 for further information | 30 June 2014 | AASB 2010-2 sets out the relevant disclosures that will not be required to be made if it is a Tier 2 entity that nominates to comply. | AASB 2010-2 | Reduced note disclosures in the following main areas:<br><br>AASB 7 Financial Instruments; Disclosures<br><br>AASB 101 Presentation of Financial Statements<br><br>AASB 108 Accounting Policies<br><br>AASB 123 Borrowing Costs<br><br>AASB 124 Related Party Disclosures<br><br>AASB 128 Accounting for Associates |

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| AASB 2010-3<br><br>Amendments to Australian Accounting Standards arising from the Annual Improvements Project<br><br>[AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139] | None | Limits the scope of the measurement choices of non-controlling interest at proportionate share of net assets in the event of liquidation. Other components of NCI are measured at fair value.<br><br>Requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e.,split between consideration and post combination expenses.<br><br>Clarifies that contingent consideration from a business combination that occurred before the effective date of AASB 3 Revised is not restated.<br><br>Eliminates the requirement to restate financial statements for a reporting period when significant influence or joint control is lost and the reporting entity accounts for the remaining investment under AASB 139. This includes the effect on accumulated foreign exchange differences on such investments.<br><br>Refer to TA Alert 2010-06 for further information | 30 June 2011 | Given the number of standards amended by AASB 2010-3, an example disclosure is not included.<br><br>Entities assess the impact of each of the amendments on their organisation. | AASB 2010-3 | Varies depending on relevance, however impact is unlikely to be significant. |
| AASB 2010-4<br><br>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13] | None | Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments.<br><br>Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.<br><br>Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions. | 31 December 2011 | Given the number of standards amended by AASB 2010-4, an example disclosure is not included.<br><br>Entities assess the impact of each of the amendments on their organisation. | AASB 2010-4 | Varies depending on relevance, however impact is unlikely to be significant. |

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| | | Clarify that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken in account.<br><br>Refer to TA Alert 2010-06 for further information | | | | |
| AASB 1053 Application of Tiers of Australian Accounting Standards | None | This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:<br>a) Tier 1: Australian Accounting Standards; and<br>b) Tier 2: Australian Accounting Standards - Reduced Disclosure Requirements.<br><br>Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.<br><br>The following entities apply Tier 1 requirements in preparing general purpose financial statements:<br>a) for-profit entities in the private sector that have public accountability (as defined in this Standard); and<br>b) the Australian Government and State, Territory and Local Governments.<br><br>The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:<br>a) for-profit private sector entities that do not have public accountability; | 30 June 2014 | This depends on the classification of the entity as a Tier 1 or 2.<br><br>For Tier 1 entities or Tier 2 that prepare special purpose financial reports, there will be no impact on the financial statements as the reduced disclosure will not be available to apply.<br><br>Tier 2 entities that prepare general purpose financial reports will be able to apply the reduced disclosures within the financial instruments, related parties, accounting policies,borrowing costs, and financial statement disclosures | AASB 1053 | Reduced disclosures. Refer to comments in AASB 2010-2 above. |

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| | | b) all not-for-profit private sector entities; and<br>c) public sector entities other than the Australian Government and State, Territory and Local Governments.<br>Refer to TA Alert 2010-24 for further information | | | | |
| Interpretation 19<br>Extinguishing Financial Liabilities with Equity Instruments | None | This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are 'consideration paid' in accordance with AASB 139. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability.<br>The interpretation states that equity instruments issued in a debt for equity swap should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment.<br>Refer to TA Alert 2009-26 for further information | 30 June 2011 | The amendments are not expected to have a significant impact on the financial statements. | Interpretation 19 | Unlikely to have significant impact. |
| AASB 2010-05<br>Amendments to Australian Accounting Standards<br>[AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] | None | The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board. | 31 December 2011 | These amendments have no major impact on the requirements of the amended pronouncements | AASB 2010-5 | No major iimpact |

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| AASB 7 Financial Instruments: Disclosures<br><br>(Transfers of Financial Assets) | AASB 7 | The Standard amends the disclosures required,, to help users of financial statements evaluate the risk exposures relating to more complex transfers of financial assets (eg. securitisations) and the effect of those risks on an entity's financial position.<br><br>Refer to TA Alert 2010-48 for further information. | 30 June 2012 | The Amendments will introduce more extensive and onerous quantitative and qualitative disclosure requirements for de-recognition of financial assets. | AASB 7 | More extensive and onerous quantitative and qualitative disclosure requirements for de-recognition of financial assets. |

### 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

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