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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:

- the title of the new Australian Accounting Standard;
- the nature of the impending change or changes in accounting policy;
- the date by which application of the Australian Accounting Standard is required;
- the date at which it plans to apply the Australian Accounting Standard initially; and either;
- a discussion of the impact that initial application of the Australian Accounting Standard is expected to have on the entity's financial report or
- 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 2011.

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 2011

(The list represents accounting standards / interpretations issued by the Australian Accounting Standards Board (AASB) and International Accounting Standards Board (IASB) as at 25 November 2011).

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.

Reduced Disclosure Regime
For those entities that will be applying the Reduced Disclosure Regime, disclosure of standards issued but not effective is not required. Accordingly, apart from the standard that introduces the Reduced Disclosure Regime, further amendments introduced to disclosures have not been included in the table as they would not need to be disclosed.

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*

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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
AASB 9 Financial Instruments	AASB 139 Financial Instruments: Recognition and Measurement (part)	AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:	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. 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 2009-11 AASB 2010-7	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. 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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		(1) The change attributable to changes in credit risk are presented in other comprehensive income (OCI). (2) The remaining change is presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11. See TA Alerts 2009-22 and 2010-49 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: a) Tier 1: Australian Accounting Standards; and b) Tier 2: Australian Accounting Standards - Reduced Disclosure Requirements. Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: a) for-profit entities in the private sector that have public accountability (as defined in this Standard); and b) the Australian Government and State, Territory and Local Governments.	30 June 2014	This depends on the classification of the entity as a Tier 1 or 2. 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. 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 2010-02	Reduced disclosures. Refer to comments in AASB 2010-2 above.

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		The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: a) for-profit private sector entities that do not have public accountability; b) all not-for-profit private sector entities; and c) public sector entities other than the Australian Government and State, Territory and Local Governments. Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2. Refer to TA Alert 2010-24 for further information				
AASB 1054 Australian Additional Disclosures	None	This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB. This standard, with AASB 2011-01, relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas: (a) Compliance with Australian Accounting Standards (b) The statutory basis or reporting framework for financial statements (c) Whether the financial statements are general purpose or special purpose (d) Audit fees (e) Imputation credits (f) reconciliation of net operating cash flow to profit (loss).	30 June 2012	This Standard sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards. This Standard contains disclosure requirements that are additional to IFRSs.	AASB 2011-01	Not expected to have significant impact, as only relocating Australian specific disclosures from existing standards to this new standard.

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AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (AASB 1 & AASB 7)	None	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. 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.
AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	None	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112. Refer to TA Alert 2010-60 for further details.	31 December 2012	The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property. Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.	None	Unlikely to have significant impact in Australia

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AASB 2011-3 Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments [AASB 1049]	None	The Standard makes amendments to AASB 1049 so as to clarify the definition of the ABS GFS Manual, facilitate the orderly adoption of changes to the ABS GFS Manual and related disclosures.	30 June 2013	The Standard makes amendments to AASB 1049 in relation to the Whole of Government and General Government Financial Reporting so as to clarify the definition of the ABS GFS Manual, and to facilitate the orderly adoption of changes to the ABS GFS Manual and related disclosures.	None	Unlikely to have significant impact in Australia, unless entity is in the Government industry.
AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	None	The Standard makes amendments to AASB 124 Related Party Disclosures to remove individual key management personnel disclosure requirements. Refer to TA Alert 2011-13 for further details.	30 June 2014	The Standard makes amendments to remove the individual key management personnel disclosure requirements, as these are considered to be more in the nature of corporate governance and are generally covered in the Corporations Act and disclosed within the Directors and/or Remuneration Report.	Early adoption is not permitted	This will result in the removal of various key management personnel disclosures relating to disclosing entities within the financial report.

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AASB 2011-5 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation [AASB 127, AASB 128 & AASB 131]	None	This Standard makes amendments to the following Australian Accounting Standards: 1. AASB 127 Consolidated and Separate Financial Statements 2. AASB 128 Investments in Associates 3. AASB 131 Interests in Joint Ventures. This Standard extends the relief from consolidation, the equity method and proportionate consolidation by removing the requirement for the consolidated financial statements prepared by the ultimate or any intermediate parent entity to be IFRS compliant, provided that the parent entity, investor or venturer and the ultimate or intermediate parent entity are not-for-profit entities that comply with Australian Accounting Standards. Refer to TA Alert 2011-15 for further details.	30 June 2012	The AASB considers that the relief from consolidation, the equity method and proportionate consolidation should also be available in certain circumstances to a parent entity, investor or venturer where the ultimate or any intermediate parent entity prepares consolidated financial statements that are not compliant with IFRS. Therefore, this Standard extends that relief provided that the parent entity, investor or venturer: (a) is a not-for-profit entity complying with Australian Accounting Standards; (b) has an ultimate or intermediate parent that is also a not-for-profit entity that prepares consolidated financial statements in accordance with Australian Accounting Standards; and (c) meets the relevant criteria in paragraphs 10(a) to 10(c) of AASB 127, paragraphs 13(c)(i) to 13(c)(iii) of AASB 128 or paragraphs 2(c)(i) to 2(c)(iii) of AASB 131.	None	Unlikely to impact unless the entity is a not-for-profit entity
AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 101]	None	This Standard requires entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss in subsequent periods (reclassification adjustments). Refer TA Alert 2011-07 for further details.	30 June 2013	The main change will be the separation and classification of components within the other comprehensive income between reclassification adjustments to profit or loss and those that will not be reclassified.	AASB 101	Impacts on separating components in other comprehensive income between reclassification and non-reclassification adjustments.

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AASB 10 Consolidated Financial Statements	AASB 127	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities.* The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This is likely to lead to more entities being consolidated into the group. Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB 127. Refer to TA Alert 2011-05 for further details.	31 December 2013	It introduces a new, principle-based definition of control which will apply to all investees to determine the scope of consolidation. Traditional control assessments based on majority ownership of voting rights will very rarely be affected. However, 'borderline' consolidation decisions will need to be reviewed and some will need to be changed taking into consideration potential voting rights and substantive rights.	AASB 11 AASB 12 AASB 127 AASB 128 AASB 131 AASB 2011-05	Entities most likely to be impacted are those that: - have significant, but not a majority equity interests in other entities; - hold potential voting rights over investments , such as options or convertible debt.

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AASB 11 Joint Arrangements	AASB 131 SIC 13	AASB 11 replaces AASB 131 Interests in Joint Ventures and SIC-13 Jointly- controlled Entities – Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition AASB 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the group. Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB128. Refer to TA Alert 2011-05 for further details.	31 December 2013	Entities with existing joint arrangements or that plan to enter into new joint arrangements will be affected by the new standard. These entities will need to assess their arrangements to determine whether they have invested in a joint operation or a joint venture upon adoption of the new standard or upon entering into the arrangement. Entities that have been accounting for their interest in a joint venture using proportionate consolidation will no longer be allowed to use this method; instead they will account for the joint venture using the equity method. In addition, there may be some entities that previously equity-accounted for investments that may need to account for their share of assets and liabilities now that there is less focus on the structure of the arrangement.	AASB 10 AASB 12 AASB 127 AASB 128 AASB 131 AASB 2011-05	For entities, that have joint ventures that have been previously accounted using proportionate consolidation, they will need to change to equity accounting.
AASB 12 Disclosure of Interests in Other Entities	AASB 127 AASB 128 AASB 131	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests. Refer to TA Alert 2011-05 for further details.	31 December 2013	AASB 12 combines the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities within a comprehensive disclosure standard. It aims to provide more transparency on 'borderline' consolidation decisions and enhance disclosures about unconsolidated structured entities in which an investor or sponsor has involvement.	None	There are some additional enhanced disclosures centred around significant judgements and assumptions made around determining control, joint control and significant influence.

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AASB 13 Fair Value Measurement	None	AASB 13 establishes a single source of guidance under AASB for determining the fair value of assets and liabilities.AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under AASB when fair value is required or permitted by AASB. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8. Refer to TA Alert 2011-06 for further details.	31 December 2013	AASB 13 has been created to: ▪ establish a single source of guidance for all fair value measurements; ▪ clarifyi the definition of fair value and related guidance; and ▪ enhance disclosures about fair value measurements (new disclosures increase transparency about fair value measurements, including the valuation techniques and inputs used to measure fair value).	None	For financial assets, AASB 13's guidance is broadly consistent with existing practice. It will however also apply to the measurement of fair value for non-financial assets and will make a significant change to existing guidance in the applicable standards.
AASB 119 Employee Benefits	AASB 119	The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognized in full with actuarial gains and losses being recognized in other comprehensive income. It also revised the method of calculating the return on plan assets. Consequential amendments were also made to other standards via AASB 2011-10. Refer to TA Alert 2011-08 for further details.	31 December 2013	The main change for accounting for defined benefit plans is: (1) the removal of the option to defer the full recognition of gains and losses under the corridor approach: and (2) the revised method of calculating the return on plan assets.	AASB 2011-10	Only impacts entity's which have any defined benefit plans, and the removal of the deferral of gains and losses under the corridor approach.

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Interpretation 20 Stripping Costs in the Production Phase of Surface Mining	None	This Interpretation clarifies when production stripping costs should lead to the recognition of an asset and how that asset should be initially and subsequently measured. Consequential amendments were also made to other standards via AASB 2011-12. Refer to TA Alert 2011-18 for further details.	31 December 2013	This interpretation provides guidance on (1) recognition of production stripping costs as an asset; (2) initial measurement of the stripping activity asset; and (3) subsequent measurement of the stripping activity asset. The company has not assessed the impact, however this may result in either recognising or derecognising a stripping asset.	AASB 2011-12	Only impacts entities that are incurring stripping costs within the production phase of surface mining

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 nationalaudit.support@au.gt.com