



# Technical Accounting Alert

## Update on Carbon Tax – Financial Reporting Implications?

### Introduction

The purpose of this alert is to provide an update to the earlier [TA Alert 2011-16](#) around the disclosure of the impact of the Carbon tax within the financial report after the successful passage of the Clean Energy Bill 2011 through the Senate.

### Summary

With the passage of the Clean Energy Bill 2011 (Bill or carbon scheme) through Parliament on 8 November 2011, we finally have certainty about a price on carbon in Australia. In our previous TA Alert 2011-16 we provided suggested note disclosure in relation to the impact of the carbon scheme depending upon the significance of the impact on the entity. This note disclosure guidance has been revised in light of the above facts as follows:

#### Scenario 1 – Significant Impact

On 8 November 2011, the Commonwealth Government announced the "Clean Energy Legislative Package". Whilst the announcement provides further details on the framework for a carbon pricing mechanism, uncertainties continue to exist on the impact of any carbon pricing mechanism on the Group. In addition, as the Group will not fall within the "Top 500 Australian Polluters", the impact of the Carbon Scheme will be through indirect effects of increased prices on many production inputs and general business expenses as suppliers subject to the carbon pricing mechanism are likely to pass on their carbon price burden to their customers in the form of increased prices.

The introduction of a carbon pricing mechanism has the potential to significantly impact the assumptions used for the purpose of value-in-use calculations in asset impairment testing. The Group has not incorporated the potential impact of the carbon pricing mechanism in its impairment testing at 31 December 2011. The carrying amount of the assets that could be affected by the implementation of the carbon pricing mechanism as at 31 December 2011 is \$XXX (2010: \$XXX).

### Scenario 2 – Minor Impact

On 8 November 2011, the Commonwealth Government announced the "Clean Energy Legislative Package". Whilst the announcement provides further details on the framework for a carbon pricing mechanism, uncertainties continue to exist on the impact of any carbon pricing mechanism on the Group. In addition, as the Group will not fall within the "Top 500 Australian Polluters", the impact of the Carbon Scheme will be through indirect effects of increased prices on many production inputs and general business expenses as suppliers subject to the carbon pricing mechanism are likely to pass on their carbon price burden to their customers in the form of increased prices. Directors expect that this will not have a significant impact upon the operating costs within the business, and therefore will not have an impact upon the valuation of assets and / or going concern of the business.

Please note regardless of which view you may adopt, full disclosure will be required within the financial report to reflect the view that the directors have adopted in relation to the impact of the Scheme at the reporting date.

### 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](mailto:nationalaudit.support@au.gt.com)