

Technical Accounting Alert

What's New for December 2011?

Introduction

The purpose of this alert is to provide information about new standards / interpretations which are to be applied for the first time by 31 December 2011 year ends.

Note that this alert does not include information about other pronouncements which are available for early adoption at 31 December 2011 but are not mandatory; for a detailed list of these, please refer to [TA Alert 2011-19](#).

Overview

There are a number of amending accounting pronouncements coming into effect for annual accounting periods beginning on or after 1 January 2011 (i.e. 31 December 2011 year-end), so now is the time to ensure that all necessary changes to your 2011 financial statements have been identified. Plans to implement any necessary changes to accounting policies and disclosures should be well in hand.

For a full list of new standards and amendments that will come into effect for December 2011 year ends, see Appendix One: Pronouncements applicable for the first time for December 2011 reporters.

The following paragraphs are a brief reminder of the most significant changes with references on where to get additional information.

AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues

This amending pronouncement 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.

Further information can be found in the [TA Alert 2009-21](#).

AASB 124 Related Parties/ AASB 2009-12 Amendments to Australian Accounting Standards arising from AASB 124

The main changes from AASB 124 are described below:

- (a) The definition of a related party is simplified, clarifying its intended meaning and eliminating inconsistencies from the definition, including:
 - i. the definition now identifies a subsidiary and an associate with the same investor as related parties of each other;
 - ii. entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and

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- iii. the definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other.
- (b) A partial exemption is provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.

See [TA Alert 2009-20](#) for more information.

Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments

Interpretation 19 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 more information.

AASB 2009-13 Amendments to Australian Accounting Standards arising from 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.

See [TA Alert 2009-25](#) for more information.

AASB 2009-14 Amendments to Australian Interpretations – Prepayments of Minimum Funding Requirements [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.

See [TA Alert 2009-26](#) for more information.

AASB 2010-01 Amendments to Australian Accounting Standards – Limited Exemption from Comparative AASB 7 Disclosures for First-time Adopters [AASB 1 & AASB 7]

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.

See [TA Alert 2010-54](#) for more information.

AASB 2010-03 Amendments to Australian Accounting Standards arising from the Annual Improvements Project

Various amendments have been made to various standards through the annual improvements project, including:-

- 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.
- 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.
- Clarifies that contingent consideration from a business combination that occurred before the effective date of AASB 3 Revised is not restated.

- 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.

See [TA Alert 2010-06](#) for more information.

AASB 2010-04 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project

Further amendments have been made to various standards through the annual improvements project, including:-

- Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments.
- 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.
- Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions.
- 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.

See [TA Alert 2010-06](#) for more information.

AASB 2010-05 Amendments to Australian Accounting Standards

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.

See [TA Alert 2010-57](#) for more information.

In addition, for listed companies there are number of additional requirements that have come into effect that the impact on your annual report needs to be considered. These are set out below.

Changes to ASX Listing Rules and Corporate Governance Principles and Recommendations

A suite of changes have been made to the ASX Listing Rules and to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd Edition). These amendments are in response to reports released by the Corporations and Markets Advisory Committee (CAMAC) and the Productivity Commission. The overriding principle is to increase transparency and disclosure to shareholders and the general public.

The changes to the Principles and Recommendations will take effect in the first financial year of listed entities beginning on or after 1 January 2011, though the Council encourages an early transition to the proposed changes particularly in relation to diversity. The proposed changes to the ASX Listing Rules with respect to the requirements for a trading policy will take effect on 1 January 2011. The proposed changes to the ASX Listing Rules with respect to the composition of remuneration committees will take effect from 1 July 2011. The changes made are summarised as follows:-

Principles and Recommendations

Diversity
Remuneration
Briefings
Trading Policies

Listing Rules

Remuneration Committees
Trading Policies

For further details refer to [TA Alert 2010-58](#).

Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011

The Government argues that a range of amendments have been made to the Corporations Act so as to strengthen Australia's remuneration framework. The key measures include:

- Strengthening the non-binding vote — the 'two-strikes' test
- Improving accountability on the use of remuneration consultants
- Prohibiting Key Management Personnel (KMP) from voting on remuneration matters
- Prohibiting hedging of incentive remuneration
- No vacancy rule so requiring shareholder approval for declarations of 'no vacancy' at an annual general meeting (AGM)
- Prohibiting proxy holders from 'cherry picking' the proxies they exercise
- Reducing the number of persons required to be named in the remuneration report

For further details refer to [TA Alert 2011-04](#).

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

Appendix One: New pronouncements for 31 December 2011 year ends

New Accounting standards and interpretations to be adopted for the first time for December reporters

Title	Full title of Standard or interpretation	Effective for accounting periods beginning on or after
AASB 2009-10	Amendments to Australian Accounting Standards – Classification of Rights Issues	1 February 2010
AASB 124 / AASB 2009-12	Related Parties/ Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	1 January 2011
Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
AASB 2009-13	Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1]	1 July 2010
AASB 2009-14	Amendments to Australian Accounting Standards – Prepayments of Minimum Funding Requirements [Interpretation 14]	1 January 2011
AASB 2010-01	Amendments to Australian Accounting Standards – Limited Exemption from Comparative AASB 7 Disclosures for First-time Adopters [AASB 1 & AASB 7]	1 July 2010
AASB 2010-03	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139]	1 July 2010
AASB 2010-04	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]	1 January 2011
AASB 2010-05	Amendments to Australian Accounting Standards [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]	1 January 2011