Technical Accounting Alert

Accounting standards issued but not yet effective

Introduction

The objective of this Technical Accounting Alert (TA Alert) is to:

- provide information regarding the Accounting Standards (and Interpretations) that have been issued with an effective date post 30 June 2014; and
- assist entities in meeting the disclosure requirements in paragraph 30 of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Note that this TA Alert supersedes TA Alert 2014-06 Accounting standards issued but not yet effective issued in June 2014. The main difference between this TA Alert and TA Alert 2014-06 is that this Alert incorporates the following pronouncements published by the Australian Accounting Standards Board (AASB) and/or by the International Accounting Standards Board (IASB) since late June 2014:

- AASB 2014-2 *Amendments to AASB 1053 - Transition to and between Tiers, and related Tier 2 Disclosure Requirements*
- IFRS 9 *Financial Instruments* (2014)
- *Agriculture: Bearer Plants* (Amendments to IAS 16 and IAS 41)
- *Equity Method in Separate Financial Statements* (Amendments to IAS 27)

Overview

When the AASB issues a new or revised Standard (or an Interpretation)[1] with an effective date after the end of the reporting period, an entity[2] has a choice of either:

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[1] Where an entity includes an explicit and unreserved statement of compliance with International Financial Reporting Standards (IFRSs) as required by paragraph 16 of AASB 101 *Presentation of Financial Statements*, the entity needs to consider standards issued by the IASB but not yet issued by the AASB. This is likely to apply to all entities, except for those issuing special purpose financial statements and not-for-profit entities.

[2] The requirements of paragraph 30 of AASB 108 are mandatory for all entities preparing financial statements under Part 2M.3 of the *Corporations Act 2001* and for those preparing general purpose financial statements (excluding entities applying Australian Accounting Standards – Reduced Disclosure Requirements).

- early adopting the Standards in accordance with section 334(5) of *Corporations Act 2001* (via a directors minute - an example is included in this Alert) and disclosing this fact in the financial statements; or
- not adopting the Standard, in which case paragraph 30 of AASB 108 should be complied with.

Requirements of paragraph 30 of AASB 108

30 When an entity has not applied a new Australian Accounting Standard that has been issued but is not yet effective, the entity shall disclose:

(a) this fact; and

(b) known or reasonably estimable information relevant to assessing the possible impact that application of the new Australian Accounting Standard will have on the entity's financial statements in the period of initial application.

Furthermore, paragraph 31 of AASB 108 states that in complying with paragraph 30 an entity should consider disclosing:

(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.

Standards and interpretations with an effective date post 30 June 2014

The table on pages 4-26 summarises all Accounting Standards (and Interpretations) that have been issued by the AASB and IASB as at **13 August 2014**. Any further Standards (and Interpretations) issued after this date will also need to be disclosed up until the date of authorisation of the financial report.

Although the table lists most of the standards (and interpretations) issued but not yet effective, entities should only disclose standards (and interpretations) that are relevant to them. For instance, a for-profit entity does not need to disclose the impact of a new standard that only applies to entities in the public sector (for example, AASB 1055 *Budgetary Reporting*).

In addition, it is important that the sample disclosure/indicative impact for each standard and interpretation is tailored to suit the particular circumstances of each entity. Entities should pay particular attention to this disclosure, considering that the Australian Securities and Investments

Commission (ASIC) has been expressing concerns over a number of years with entities providing 'boiler plate' disclosures.

Entities applying Australian Accounting Standards – Reduced Disclosure Requirements (RDR)

RDR entities are not required to disclose accounting standards issued but not yet effective. Accordingly, none of the RDR-related amendments have been included in the table.

Early adoption of standards

Where standards or interpretations are early adopted, the following director's minutes may be used for Corporations Act entities[3]:

In accordance with s334(5) of the Corporations Act, the Directors are early adopting the following accounting standards:

- *list standards / interpretations*

[3] Section 334(5) of *Corporations Act 2001* states that a company, registered scheme or disclosing entity may elect to apply the accounting standard to an earlier period unless the standard says otherwise. The election must be made in writing by the directors.

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Table A: Standards applicable to both for-profit and not-for-profit entities

New/revised pronouncement	Superseeded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after ...)	Likely impact on initial application
AASB 9 *Financial Instruments* (December 2010) [Also refer to AASB 2013-9 and AASB 2014-1 below]	AASB 139 *Financial Instruments: Recognition and Measurement* (in part)	AASB 9 introduces new requirements for the classification and measurement of financial assets and 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: (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; and (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 (instead of in profit or loss). 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:	1 January 2018	***[if the entity has not yet assessed the impact]*** *The entity has not yet assessed the full impact of AASB 9 as this standard does not apply mandatorily before 1 January 2018.*

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New/revised pronouncement	Superseeded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after ...)	Likely impact on initial application
		- The change attributable to changes in credit risk are presented in other comprehensive income (OCI); and - 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. Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9: - Classification and measurement of financial liabilities; and - Derecognition requirements for financial assets and liabilities. AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in the financial statements. Consequential amendments arising from AASB 9 are contained in AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*, AASB 2010-10 *Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters*, AASB 2012-6 *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures*, AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments* and		

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New/revised pronouncement	Superseeded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after ...)	Likely impact on initial application
		AASB 2014-1 *Amendments to Australian Accounting Standards*. On 24 July 2014, the IASB issued IFRS 9 *Financial Instruments* (2014) which marked the completion of its project to replace IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39). IFRS 9 (2014): • added requirements dealing with expected credit losses (impairment) • amended the Standard's classification and measurement requirements by adding a new measurement category of fair value through other comprehensive income for particular simple debt instruments • introduced a new mandatory effective date of accounting periods beginning on or after 1 January 2018 The AASB has already amended the effective date of AASB 9 to '1 January 2018' through its Amending Standard AASB 2014-1 *Amendments to Australian Accounting Standards*. It is expected that the AASB will issue the remaining amendments arising from IFRS 9 (2014) in the near future. See TA Alert 2009-22, TA Alert 2010-49, TA Alert 2013-13 and TA Alert 2014-09 for further information.		

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New/revised pronouncement	Superseeded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after ...)	Likely impact on initial application
AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*	None	AASB 2012-3 adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	*When AASB 2012-3 is first adopted for the year ending 30 June 2015, there will be no impact on the entitiy as this standard merely clarifies existing requirements in AASB 132.*
AASB 2013-3 *Recoverable Amount Disclosures for Non-Financial Assets*	None	These narrow-scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. When developing IFRS *13 Fair Value Measurement*, the IASB decided to amend IAS 36 *Impairment of Assets* to require disclosures about the recoverable amount of impaired assets. The IASB noticed however that some of the amendments made in introducing those requirements resulted in the requirement being more broadly applicable than the IASB had intended. These amendments to IAS 36 therefore clarify the IASB's original intention that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal. AASB 2013-3 makes the equivalent amendments to AASB 136 *Impairment of Assets*.	1 January 2014	*When these amendments are first adopted for the year ending 30 June 2015, they are unlikely to have any significant impact on the entity given that they are largely of the nature of clarification of existing requirements.*

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New/revised pronouncement	Superseeded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after ...)	Likely impact on initial application
AASB 2013-4 *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting*	None	AASB 2013-4 makes amendments to AASB 139 *Financial Instruments: Recognition & Measurement* to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.	1 January 2014	*When these amendments are first adopted for the year ending 30 June 2015, they are unlikely to have any significant impact on the entity.*
AASB 2013-5 *Amendments to Australian Accounting Standards – Investment Entities*)	None	The amendments in AASB 2013-5 provide an exception to consolidation to investment entities and require them to measure unconsolidated subsidiaries at fair value through profit or loss in accordance with AASB 9 *Financial Instruments* (or AASB 139 *Financial Instruments: Recognition and Measurement* where AASB 9 has not yet been adopted). The amendments also introduce new disclosure requirements for investment entities that have subsidiaries. These amendments apply to investment entities, whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both.	1 January 2014	***[if the parent meets the definition of 'investment entity']*** *When this standard is first adopted for the year ending 30 June 2015, [name of the subsidiary], which was established on 1 January 2013, will no longer be consolidated because […state how the parent satisfies the 'investment entity' definition…]. On 1 July 2014, assets, liabilities and non-controlling interests of $ …, $... and $... respectively of [name of the subsidiary] will be derecognised and the investment will be recognised at fair value through profit or loss in accordance with AASB 9. The entity will also need to make additional disclosures about [name of the subsidiary].* ***[if the parent meets the definition of 'investment entity', however its subsidiary is a service subsidiary rather than an investment]*** *When this standard is first adopted for the year ending 30 June 2015, there will be no impact on the entity because [name of service subsidiary] is a service subsidiary. Hence, the entity is still required to consolidate [name of service subsidiary].* ***[if the parent does not meet the definition of 'investment entity', however its subsidiary is an investment]*** *When this standard is first adopted for the year ending 30 June 2015, there will be no impact on the entity because the parent entity does not meet the definition of 'investment entity'. Hence, the entity is still required to consolidate [name of subsidiary].*

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New/revised pronouncement	Superseeded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after ...)	Likely impact on initial application
AASB 2013-7 *Amendments to AASB 1038 arising from AASB 10 in relation to Consolidation and Interests of Policyholders*	None	AASB 2013-7 removes the specific requirements in relation to consolidation from AASB 1038 *Life Insurance Contracts*, which leaves AASB 10 *Consolidated Financial Statements* as the sole source for consolidation requirements applicable to life insurer entities.	1 January 2014	*When these amendments are first adopted for the year ending 30 June 2015, they are unlikely to have any significant impact on the entity.*
AASB 1031 *Materiality* (December 2013)	AASB 1031 *Materiality* (July 2004, as amended)	The revised AASB 1031 is an interim standard that cross-references to other Standards and the *Framework for the Preparation and Presentation of Financial Statements* (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations, and once all these references have been removed, AASB 1031 will be withdrawn.	1 January 2014	*When the revised AASB 1031 is first adopted for the year ending 30 June 2015, it is unlikely to have any significant impact on the entity.*
AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments* (Part B: Materiality)	None	Part B of AASB 2013-9 deletes references to AASB 1031 in various Australian Accounting Standards (including Interpretations).	1 January 2014	*When these amendments are first adopted for the year ending 30 June 2015, they are unlikely to have any significant impact on the entity.*

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AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments* (Part C: Financial Instruments)	*AASB 139* Financial Instruments: Recognition and Measurement *(in part)*	These amendments: • add a new chapter on hedge accounting to AASB 9 *Financial Instruments*, substantially overhauling previous accounting requirements in this area; • allow the changes to address the so-called 'own credit' issue that were already included in AASB 9 to be applied in isolation without the need to change any other accounting for financial instruments; and • defer the mandatory effective date of AASB 9 from '1 January 2015' to '1 January 2017'. Note that, subsequent to issuing these amendments, the AASB has issued AASB 2014-1 which defers the effective date of AASB 9 to '1 January 2018'. See TA Alert 2013-13 for further information.	1 January 2015	***[if the entity has not yet assessed the impact]*** *The entity has not yet assessed the full impact of these amendments.*

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New/revised pronouncement	Superseeded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after ...)	Likely impact on initial application
AASB 1056 *Superannuation Entities*	AAS 25 *Financial Reporting by Superannuation Plans*	AASB 1056 replaces the existing requirements in AAS 25, and applies to large superannuation entities regulated by the Australian Prudential Regulation Authority (APRA) and to public sector superannuation entities. This Standard is expected to result in significant changes to the recognition, measurement, presentation and disclosures relating to superannuation entity financial statements. Some of the key changes include: • greater level of integration between AASB 1056 and other Australian Accounting Standards • a revised definition of a superannuation entity • revised content/presentation of financial statements (e.g. the introduction of a statement of changes in member benefits and a statement of changes in equity/reserves) • use of fair value rather than net market value for measuring assets and liabilities (subject to certain exceptions) • revised member liability recognition and measurement requirements • new requirements regarding employer-sponsor receivables • new/revised disclosure requirements For further information, refer to TA Alert 2014-07.	1 July 2016	***[if the superannuation entity has assessed the impact]*** *When this standard is adopted for the first time for the year ending 30 June 2017, there will be significant changes to the recognition, measurement, presentation and disclosures relating to the entity's financial statements. For instance, assets and liabilities will generally be measured at 'fair value through profit or loss' rather than at 'net market value'. The entity will apply the requirements of this Standard retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. However, a statement of financial position as at the beginning of the earliest comparative period (i.e., as at 1 July 2015) will not be presented as permitted by AASB 1056.* ***[if the superannuation entity has not yet assessed the impact]*** *The entity has not yet assessed the full impact of this Standard.*

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New/revised pronouncement	Superseeded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after ...)	Likely impact on initial application
AASB 14 *Regulatory Deferral Accounts*	None	AASB 14 permits first-time adopters of Australian Accounting Standards who conduct rate-regulated activities to continue to account for amounts related to rate regulation in accordance with their previous GAAP. Accordingly, an entity that applies AASB 14 may continue to apply its previous GAAP accounting policies for the recognition, measurement, impairment and derecognition of its regulatory deferral account balances. This exemption is not available to entities who already apply Australian Accounting Standards.	1 January 2016	*When AASB 14 becomes effective for the first time for the year ending 30 June 2017, it will not have any impact on the entity.*

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New/revised pronouncement	Superseeded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after ...)	Likely impact on initial application
AASB 2014-1 *Amendments to Australian Accounting Standards* (Part A: Annual Improvements 2010–2012 and 2011–2013 Cycles)	None	Part A of AASB 2014-1 makes amendments to various Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards *Annual Improvements to IFRSs 2010-2012 Cycle* and *Annual Improvements to IFRSs 2011-2013 Cycle*. Among other improvements, the amendments arising from *Annual Improvements to IFRSs 2010-2012 Cycle*: (a) clarify that the definition of a 'related party' includes a management entity that provides key management personnel services to the reporting entity (either directly or through a group entity); and (b) amend AASB 8 *Operating Segments* to explicitly require the disclosure of judgements made by management in applying the aggregation criteria. Among other improvements, the amendments arising from *Annual Improvements to IFRSs 2011-2013 Cycle* clarify that an entity should assess whether an acquired property is an investment property under AASB 140 *Investment Property* and perform a separate assessment under AASB 3 *Business Combinations* to determine whether the acquisition of the investment property constitutes a business combination.	1 July 2014	*When these amendments are first adopted for the year ending 30 June 2015, there will be no material impact on the entitiy.*

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AASB 2014-1 *Amendments to Australian Accounting Standards* (Part B: Defined Benefit Plans: Employee Contributions (Amendments to AASB 119))	None	Part B of AASB 2014-1 makes amendments to AASB 119 *Employee Benefits* to incorporate the IASB's practical expedient amendments finalised in International Financial Reporting Standard *Defined Benefit Plans: Employee Contributions* (Amendments to IAS 19) in relation to the requirements for contributions from employees or third parties that are linked to service. The amendments clarify that if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service. In contrast, if the amount of the contributions is dependent on the number of years of service, an entity is required to attribute those contributions to periods of service using the same attribution method required by paragraph 70 of AASB 119 for the gross benefit.	1 July 2014	*When these amendments are first adopted for the year ending 30 June 2015, there will be no material impact on the entitiy.*
AASB 2014-1 *Amendments to Australian Accounting Standards* (Part C: Materiality)	None	Part C of AASB 2014-1 makes amendments to particular Australian Accounting Standards to delete their references to AASB 1031 *Materiality*, which historically has been referenced in each Australian Accounting Standard.	1 July 2014	*When these amendments are first adopted for the year ending 30 June 2015, there will be no material impact on the entitiy.*
AASB 2014-1 *Amendments to Australian Accounting Standards* (Part D: Consequential Amendments arising from AASB 14)	None	Part D of AASB 2014-1 makes consequential amendments arising from the issuance of AASB 14.	1 January 2016	*When these amendments become effective for the first time for the year ending 30 June 2017, they will not have any impact on the entity.*

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New/revised pronouncement	Superseeded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after ...)	Likely impact on initial application
AASB 2014-1 *Amendments to Australian Accounting Standards* (Part E: Financial Instruments)	None	Part E of AASB 2014-1 makes amendments to Australian Accounting Standards to reflect the AASB's decision to defer the mandatory application date of AASB 9 *Financial Instruments* to annual reporting periods beginning on or after 1 January 2018. Part E also makes amendments to numerous Australian Accounting Standards as a consequence of the introduction of Chapter 6 *Hedge Accounting* into AASB 9 and to amend reduced disclosure requirements for AASB 7 *Financial Instruments: Disclosures* and AASB 101 *Presentation of Financial Statements*.	1 January 2015	***[if the entity has not yet assessed the impact]*** *The entity has not yet assessed the full impact of these amendments.*

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New/revised pronouncement	Superseeded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after ...)	Likely impact on initial application
AASB 2014-2 *Amendments to AASB 1053 - Transition to and between Tiers, and related Tier 2 Disclosure Requirements*	None	AASB 2014-2 makes amendments to AASB 1053 *Application of Tiers of Australian Accounting Standards* to: • clarify that AASB 1053 relates only to general purpose financial statements; • make AASB 1053 consistent with the availability of the AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* option in AASB 1 *First-time Adoption of Australian Accounting Standards*; • clarify certain circumstances in which an entity applying Tier 2 reporting requirements can apply the AASB 108 option in AASB 1; • permit an entity applying Tier 2 reporting requirements for the first time to do so directly using the requirements in AASB 108 (rather that applying AASB 1) when, and only when, the entity had not applied, or only selectively applied, applicable recognition and measurement requirements in its most recent previous annual special purpose financial statements; and • specify certain disclosure requirements when an entity resumes the application of Tier 2 reporting requirements.	1 July 2014	*When these amendments are first adopted for the year ending 30 June 2015, they are unlikely to have any significant impact on the entity.*

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New/revised pronouncement	Superseeded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after ...)	Likely impact on initial application
AASB Interpretation 21 *Levies*	None	Interpretation 21 addresses how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements (in particular, when the entity should recognise a liability to pay a levy). Interpretation 21 is an interpretation of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. AASB 137 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. For example, if the activity that triggers the payment of the levy is the generation of revenue in the current period and the calculation of that levy is based on the revenue that was generated in a previous period, the obligating event for that levy is the generation of revenue in the current period. The generation of revenue in the previous period is necessary, but not sufficient, to create a present obligation.	1 January 2014	*When this interpretation is first adopted for the year ending 30 June 2015, there will be no material impact on the financial statements as the entity is not subject any levies addressed by this interpretation.*

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New/revised pronouncement	Superseeded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after ...)	Likely impact on initial application
Standards issued by the IASB, but not yet by the AASB				
IFRS 15 *Revenue from Contracts with Customers*	IAS 18 *Revenue* IAS 11 *Construction Contracts* IFRIC 13 *Customer Loyalty Programmes* IFRIC 15 *Agreements for the Construction of Real Estate* IFRIC 18 *Transfer of Assets from Customers*	IFRS 15: • replaces IAS 18 Revenue, IAS 11 Construction Contracts and some revenue-related Interpretations • establishes a new control-based revenue recognition model • changes the basis for deciding whether revenue is to be recognised over time or at a point in time • provides new and more detailed guidance on specific topics (e.g., multiple element arrangements, variable pricing, rights of return, warranties and licensing) • expands and improves disclosures about revenue In the Australian context, the Australian Accounting Standards Board (AASB) is expected to issue the equivalent Australian Standard (AASB 15 *Revenue from Contracts with Customers*), along with a new Exposure Draft (ED) on income from transactions of Not-for-Profit (NFP) entities by the end of 2014. For further information, refer to TA Alert 2014-04 and IFRS Newsletter (June 2014) – Special Edition on Revenue	1 January 2017	***[if the entity has not yet assessed the impact]*** *The entity has not yet assessed the full impact of this Standard.* ***[if the entity has concluded that there will be no material impact]*** *When this standard is first adopted for the year ending 30 June 2018, there will be no material impact on the transactions and balances recognised in the financial statements.*

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New/revised pronouncement	Superseeded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after ...)	Likely impact on initial application
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	None	The amendments to IAS 16 prohibit the use of a revenue-based depreciation method for property, plant and equipment. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant and equipment. The amendments to IAS 38 present a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate. This rebuttable presumption can be overcome (i.e. a revenue-based amortisation method might be appropriate) only in two limited circumstances: • the intangible asset is expressed as a measure of revenue, for example when the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold (for instance, the right to operate a toll road could be based on a fixed total amount of revenue to be generated from cumulative tolls charged); or • when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The Australian Accounting Standards Board (AASB) is expected to issue the equivalent Australian amendment shortly.	1 January 2016	***[if the entity has concluded that there will be no material impact]*** *When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.*

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Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	None	The amendments to IFRS 11 state that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a 'business', as defined in IFRS 3 *Business Combinations*, should: • apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except principles that conflict with the guidance of IFRS 11. This requirement also applies to the acquisition of additional interests in an existing joint operation that results in the acquirer retaining joint control of the joint operation (note that this requirement applies to the additional interest only, i.e. the existing interest is not remeasured) and to the formation of a joint operation when an existing business is contributed to the joint operation by one of the parties that participate in the joint operation; and • provide disclosures for business combinations as required by IFRS 3 and other IFRSs. The Australian Accounting Standards Board (AASB) is expected to issue the equivalent Australian amendment shortly.	1 January 2016	***[if the entity has concluded that there will be no material impact]*** *When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.*

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New/revised pronouncement	Superseeded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after ...)	Likely impact on initial application
Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	None	The amendments: • include bearer plants within the scope of IAS 16 *Property, Plant and Equipment* instead of IAS 41 *Agriculture* • keep produce growing on bearer plants within the scope of IAS 41 • add a definition of 'bearer plants' including a requirement for only a 'remote' likelihood that the plant will be sold as agricultural produce (incidental scrap sales excepted) • clarify that until bearer plants are mature, they are to be accounted for as self-constructed items of property, plant and equipment • require any difference between fair value and the carrying amount under IAS 41 (fair value less costs to sell) at the time of initial adoption to be recognised in opening retained earnings • Exempt entities from the requirement in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to disclose the impact of initial application on each financial statement line item affected • Make no changes to existing accounting for 'bearer livestock' and plants with more than a remote likelihood of being harvested and sold as agricultural produce.	1 January 2016	***[if the entity has concluded that there will be no material impact]*** *When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.*

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Table A: Standards applicable to both for-profit and not-for-profit entities

New/revised pronouncement	Superseeded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after ...)	Likely impact on initial application
Equity Method in Separate Financial Statements (Amendments to IAS 27)	None	The amendments introduce the equity method of accounting as one of the options to account for an entity's investments in subsidiaries, joint ventures and associates in the entity's separate financial statements.	1 January 2016	***[if the entity has concluded that there will be no material impact]*** *When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.*

Table B: Standards applicable only to not-for-profit entities

New/revised pronouncement	Superseeded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after ...)	Likely impact on initial application
AASB 10 *Consolidated Financial Statements*	AASB 127 AASB Int 112	AASB 10 establishes a revised control model that applies to all entities. It replaces the consolidation requirements in AASB 127 *Consolidated and Separate Financial Statements* and AASB Interpretation 112 *Consolidation – Special Purpose Entities.* The revised control model broadens the situations when an entity is considered to be controlled by another entity and includes additional guidance for applying the model to specific situations, including when acting as an agent may give control, the impact of potential voting rights and when holding less than a majority voting rights may give 'de facto' control. This is likely to lead to more entities being consolidated into the group. For further details refer to TA Alert 2011-05 or our website under Publications and News for the IFRS News – Special Edition	1 January 2014	***[if the entity has concluded that there will be no material impact]*** *When this standard is first adopted for the year ending 30 June 2015, there will be no material impact on the transactions and balances recognised in the financial statements.* ***[if the entity has SPEs which will need to be consolidated under AASB 10 (which were not consolidated under Interpretation 112]*** *When this standard is first adopted for the year ending 30 June 2015, [name of SPE], which was established on 1 January 2013, will need to be consolidated because […state reason why control tests now met…]. As [name of SPE] is a business, assets, liabilities and non-controlling interests of $ …, $... and $... respectively will be measured and recognised on 1 July 2013 as if [name of SPE] had always been consolidated in accordance with the requirements of AASB 10 from date control obtained, i.e. from 1 January 2013.* ***[if the entity has SPEs which no longer need to be consolidated]*** *When this standard is first adopted for the year ending 30 June 2015, [name of SPE], which was established on 1 January 2013, will no longer need to be consolidated because […state reason why control tests no longer met…]. On 1 July 2013, assets, liabilities and non-controlling interests of $ …, $... and $... respectively of [name of SPE] will be derecognised and the investment recognised at an amount as if the requirements of AASB 10 had always been effective, with the difference recognised as an adjustment to equity on that date.*

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Table B: Standards applicable only to not-for-profit entities

New/revised pronouncement	Superseeded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after ...)	Likely impact on initial application
AASB 11 *Joint Arrangements*	AASB 131 AASB Int 113	AASB 11 replaces AASB 131 *Interests in Joint Ventures* and AASB Interpretation 113 *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 for liabilities are accounted for by recognising the share of those assets and liabilities. Joint ventures that give the venturers a right to the net assets are accounted for using the equity method. Refer to TA Alert 2011-05 for further details.	1 January 2014	***[if the entity has no joint arrangements]*** *When this standard is first adopted for the year ended 30 June 2015, there will be no impact on transactions and balances recognised in the financial statements because the entity has not entered into any joint arrangements.* ***[if the joint arrangement structured as a separate vehicle, i.e. joint venture, currently uses the proportionate consolidation method]*** *When this standard is adopted for the first time for the year ended 30 June 2015, joint ventures will be accounted for in consolidated financial statements using the equity method, rather than the proportionate consolidation method. The entity's proportionate share of assets and liabilities recognised on 1 July 2013 will be derecognised and $ … will be recognised as the initial investment to be equity accounted in future, being $... of proportionate net assets derecognised and $... of goodwill arising on acquisition. Impairment adjustments required on 1 July 2013 of $... will be debited to retained earnings on that date.* ***[joint arrangement structured as a separate vehicle where contractual terms or other facts and circumstances indicate that it should be accounted for as a joint operation]*** *[Name of joint arrangement] is currently accounted for using the equity method. When this standard is first adopted for the year ended 30 June 2015, this arrangement will be treated as a joint operation because [give details why, i.e. contractual terms or other facts and circumstances]. On 1 July 2013, the equity accounted investment of $ …. will be derecognised and the group's share of each asset and each liability in respect of the joint operation will be recognised separately in the statement of financial position.* *The aggregate of the group's share of assets and liabilities of $ … recognised on 1 July 2013 exceeds the equity accounted investment derecognised of $ … The difference of $ … will be deducted from any goodwill recognised and any remaining difference will be credited to retained earnings on that date.* *OR* *The aggregate of the group's share of assets and liabilities of $ …. recognised on 1 July 2013 is less than the equity accounted investment derecognised of $.... The difference of $ … will be debited to retained earnings on that date.*

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Table B: Standards applicable only to not-for-profit entities

New/revised pronouncement	Superseeded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after ...)	Likely impact on initial application
AASB 12 *Disclosure of Interests in Other Entities*	AASB 127 (in part) AASB 128 (in part) AASB 131 (in part)	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures introduced by AASB 12 include disclosures 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.	1 January 2014	*As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities.*
AASB 127 *Separate Financial Statements* AASB 128 *Investments in Associates and Joint Ventures*	AASB 127 *Consolidated and Separate Financial Statements* AASB 128 *Investments in Associates*	As a consequence of issuing AASB 10, AASB 11 and AASB 12, revised versions of AASB 127 and AASB 128 have also been issued. AASB 127 now only deals with separate financial statements. AASB 128 incorporates the requirements in Interpretation 113 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*, and guidance relating to the equity method for associates and joint ventures. Refer to TA Alert 2011-05 or further details.	1 January 2014	*When these revised standards are adopted for the first time for the financial year ending 30 June 2015, there will be no impact on the financial statements because they introduce no new requirements.*
AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards	None	AASB 2011-7 makes various consequential amendments to Australian Accounting Standards arising from AASB 10, AASB 11, AASB 12, AASB 127 (August 2011) and AASB 128 (August 2011).	1 January 2014	*When these amendments are first adopted for the year ending 30 June 2015, they are unlikely to have any material impact on the entity given that they are largely of an editorial nature.*

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Table B: Standards applicable only to not-for-profit entities

New/revised pronouncement	Superseeded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after ...)	Likely impact on initial application
AASB 1055 *Budetary Reporting* AASB 2013-1 *Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements*	None	AASB 1055 specifies budgetary disclosure requirements for the whole of government, General Government Sector (GGS) and not-for-profit entities within the GGS of each government. AASB 2013-1 makes consequential amendments to AASB 1049 as result of the issuance of AASB 1055.	1 July 2014	*When these standards are first adopted for the year ending 30 June 2015, they are unlikely to have any material impact on the entity.*

Action required

With the June 2014 financial reporting season just around the corner, entities should now take time to review and consider the impact of new and revised accounting standards and interpretations that have been issued but not yet effective.

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.