



# Technical Accounting Alert

## What's New for June 2012?

### Introduction

The purpose of this alert is to provide information about new standards / interpretations which are to be applied for the first time by 30 June 2012 year ends.

Note that this alert does not include information about other pronouncements which are available for early adoption at 30 June 2012 but are not mandatory; for a detailed list of these, please refer to TA Alert 2012-07.

### 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. 30 June 2012 year-end), so now is the time to ensure that all necessary changes to your 2012 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 June 2012 year ends, see Appendix One: Pronouncements applicable for the first time for June 2012 reporters.

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

### **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
  - 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.

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### **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 2010-04 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.

### **AASB 2010-06 Additional Disclosures Transfers of Financial Assets**

This makes amendments to AASB 7 in relation to improved disclosures relating to transfers of financial assets.

See [TA Alert 2010-48](#) for more information.

### **AASB 1054 Australian Additional Disclosures**

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 Australian specific disclosures for for-profit entities from other accounting 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).

It removes the requirement to disclose capital and other expenditure commitments. However, note that many of these commitments are still required to be disclosed by other accounting standards.

### **AASB 2011-5 – Extending Relief from Consolidation, Equity Method and Proportionate Consolidation - NFPs**

The recent release by the AASB of the two amending pronouncements AASB 2011-05 *Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation* and AASB 2011-06 *Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements* and their requirements.

See [TA Alert 2011-15](#) for more information.

### **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](#).

### **ASIC Report on its Focus Areas for 30 June 2012 financial reports**

Australian Securities and Investments Commission’s (ASIC) Media Release ‘Improved financial information for investors and others’, which commented on the results of its reviews of financial reports for the year ended 31 December 2011 and announced its areas of focus for 30 June 2012 financial reports.

See [TA Alert 2012 - 4](#) for more information.

### **RG230 – Non-IFRS Financial Information**

Australian Securities and Investments Commission’s (ASIC) Regulatory Guide 230 ‘Disclosing non-IFRS financial information’ (RG 230) which effectively bans the disclosure of non-IFRS financial information (ie non-complying with Australian accounting standards – AASBs) such as alternative profits, underlying profits/earnings or other disclosures in the financial statements.

See [TA Alert 2011-24](#) for more information

### **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)

# Appendix One: New pronouncements for 30 June 2012 year ends

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

Title	Full title of Standard or interpretation	Effective for accounting periods beginning on or after
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
AASB 2009-14	Amendments to Australian Accounting Standards – Prepayments of Minimum Funding Requirements [Interpretation 14]	1 January 2011
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
AASB 2010-06	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 and AASB 7]	1 July 2011
AASB 1054	Australian Additional Disclosures	1 July 2011
AASB 2011-05	Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation [AASB 127, AASB 128 & AASB 131]	1 July 2011