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Technical Accounting Alert

AASB 108 disclosures for standards issued not yet effective

When the Australian Accounting Standards Board (AASB) or the International Accounting Standards Board (IASB) issues a new Standard (or an Interpretation) with an effective date after the end of the reporting period, 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 Australian Accounting Standard(or an 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, in order to comply with the above requirements, an 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 (and Interpretations) that have been issued with an effective date post 30 June 2012.

This Alert will assist entities in determining:

- 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 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 those applying Australilan Accounting Standards – Reduced Disclosure Requirements).

Standards with an effective date post 30 June 2012

The list below represents accounting standards (and interpretations) issued by the AASB and IASB as at 30 June 2012.

Note: where an entity includes an explicit and unreserved statement of compliance with International Financial Reporting Standards (IFRS) as required by paragraph 16 of AASB 101 *Presentation of Financial Statements*, 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 statements and not-for-profit entities.

Although we have listed most of the standards (and interpretations) issued but not yet effective, entities should only disclose the pronouncements that are relevant to them. For instance, a for-profit entity does not need to disclose the impact of a new accounting standard that only applies to entities in the public sector.

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 of a particular entity.

Reduced Disclosure Requirements

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 s334(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 (December 2010)	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	31 December 2015 Note that the IASB deferred the mandatory effective date from annual periods beginning on or after 1 January 2013 to annual periods beginning on or after 1 January 2015. This was announced by the IASB in December 2011, but has not yet been released by the AASB.	AASB 9 amends the classification and measurement of financial assets. The effect on the entity will be that more assets may be held at fair value and the need for impairment testing has been limited to financial assets held at amortised cost only. Minimal changes have been made in relation to the classification and measurement of financial liabilities, except that the effects of 'own credit risk' are recognised in other comprehensive income.	AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 AASB 2010-10 Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters	Depending on assets held, there may be movement of assets between fair value and amortised cost categories, and ceasing of impairment testing on available-for-sale financial assets. If the entity holds any financial liabilities at fair value, the portion of the fair value gain or loss attributable to 'own credit risk' will be incorporated in OCI, rather than profit or loss.

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		is to be accounted for as follows: • 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. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and AASB 2010-10. See TA Alerts 2009-22 and 2010-49 for further information.				

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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. Refer to [TA Alert 2011-05] for further details.	31 December 2013	It introduces a revised 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 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 (August 2011) AASB 128 (August 2011) AASB 131 AASB 2011-7	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 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 themselves 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. This may result in a change in the accounting for the joint arrangements held by the group. 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 interests 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 (August 201) AASB 128 (August 2011) AASB 2011-7	For entities that have joint ventures that have been previously accounted using proportionate consolidation, they will need to change to equity accounting in most cases. For entities that have joint operations that have been previously accounted using equity accounting, they will need to change to accounting for the share of each asset, liability, income and expense.
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 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.	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.	AASB 10 AASB 11 AASB 127 (August 2011) AASB 128 (August 2011) AASB 2011-7	There are some additional disclosures centred on 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 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 when fair value is required or permitted by other Standards. 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. Refer to TA Alert 2011-06 for further details.	31 December 2013	AASB 13 has been issued to: ▪ establish a single source of guidance for all fair value measurements; ▪ clarify 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).	AASB 2011-8	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 127 Separate Financial Statements	AASB 127 (Consolidated and Separate Financial Statements)	As a result of the issuance of AASB 10, AASB 127 has been restructured and reissued to only deal with separate financial statements. Refer to TA Alert 2011-05 for further details.	31 December 2013	AASB 127 (August 2011) will now solely address separate financial statements, the requirements for which are substantially unchanged from the previous version of the Standard.	AASB 10 AASB 11 AASB 12 AASB 128 (August 2011) AASB 2011-7	Unlikely to have an impact.
AASB 128 Investments in Associates and Joint Ventures	AASB 128 (Investments in Associates)	Once an entity (using AASB 11) has determined that it has an interest in a joint venture, it accounts for it using the equity method in accordance with AASB 128 (Revised). The mechanics of equity accounting set out in the revised version of AASB 128 remain the same as in the previous version. Refer to TA Alert 2011-05 for further details.	31 December 2013	The mechanics of equity accounting set out in the revised version of AASB 128 remain the same as in the previous version.	AASB 10 AASB 11 AASB 12 AASB 127 (August 2011) AASB 2011-7	Unlikely to have an impact.

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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; and b) the Australian Government and State, Territory and Local Governments. 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	30 June 2014	This depends on the classification of the entity. For Tier 1 entities and entities that prepare special purpose financial statements, there will be no impact on the financial statements as the reduced disclosures will not apply. Tier 2 entities that prepare general purpose financial statements will be able to apply the reduced disclosures.	AASB 2010-02	Refer to AASB 2010-02

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AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	None	This Standard gives effect to AASB 1053 and specifies the disclosures in various accounting standards and interpretations that are not required for Tier 2 entities that apply the Reduced Disclosure Requirements. Refer to TA Alert 2010-24 for further information	30 June 2014	AASB 2010-2 sets out the relevant disclosures that will not be required to be made if a Tier 2 entity applies the Reduced Disclosure Requirements.	AASB 1053	Reduced note disclosures in the following main areas (as a consequqence of AASB 2010-2): AASB 7 Financial Instruments; Disclosures AASB 2 Share-based Payment AASB 1054 Australian Additional Disclosures AASB 107 Statement of Cash Flows AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors (mainly accounting standards issued but not yet effective) AASB 136 Impairment of Assets AASB 3 Business Combinations AASB 128 Investments in Associates

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AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	AASB Int 121	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 AASB Interpretation 121 *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, although could have some effect for properties acquired between 20 September 1985 and 19 September 1999. May impact entities with overseas subsidiaries when the capital gains tax rate is lower than the company tax rate.

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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]; and AASB 2011-13 Amendments to Australian Accounting Standards – Improvements to [AASB 1049];	None	These Standards make 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	These Standards make 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, unless the entity is a Government entity.
AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	None	The Standard deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. See TA Alert 2011-13 for further information.	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.	AASB 2009-12 Amendments to Australian Accounting Standards arising from AASB 124	Unlikely to have an impact.
AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards	None	This Standard makes consequential amendments to various Australian Accounting Standards arising from the issuance of AASB 10, AASB 11, AASB 12, AASB 127 (August 2011) and AASB 128 (August 2011).	31 December 2013	This Standard gives effect to many consequential changes arising from the issuance of the new Standards. For example, references to AASB 127 *Consolidated and Separate Financial Statements* are amended to AASB 10 *Consolidated Financial Statements* or AASB 127 *Separate Financial Statements*, and references to AASB 131 *Interests in Joint Ventures* are deleted as that Standard has been superseded by AASB 11 and AASB 128 (August 2011).	AASB 10 AASB 11 AASB 12 AASB 127 (August 2011) AASB 128 (August 2011)	Refer to the likely impact of AASB 10, AASB 11, AASB 12, AASB 127 (August 2011) and AASB 128 (August 2011).

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AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 101]	None	Amendments 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, e.g. foreign currency translation reserves) and those that cannot subsequently be reclassified (e.g. fixed asset revaluation surpluses). Name changes of statements in AASB 101 as follows: • One statement of comprehensive income – to be referred to as 'statement of profit or loss and other comprehensive income' • Two statements – to be referred to as 'statement of profit or loss' and 'statement of comprehensive income'. Refer TA Alert 2011-07 for further details.	30 June 2013	The main change will be the separation and classification of components within other comprehensive income between reclassification adjustments to profit or loss and those that will not be reclassified.	AASB 101	Impact on separating components in other comprehensive income between reclassification and non-reclassification adjustments. Name changes to statement of comprehensive income.
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 recognised in full with actuarial gains and losses being recognised 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 entities that have any defined benefit plans, and the removal of the deferral of gains and losses under the corridor approach.

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AASB 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. 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 entity 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
AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	None	This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. This Standard also amends AASB 132 to refer to the additional disclosures added to AASB 7 by this Standard.	31 December 2013	AASB 2012-2 principally amends AASB 7 to require disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.	None	Unlikely to have significant impact on entities.
AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	None	This Standard 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.	31 December 2014	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.	AASB 2012-2	Unlikely to have a significant impact as it addresses inconsistencies in practise.

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AASB 2012-4 Amendments to Australian Accounting Standards – Government Loans	None	This Standard makes amendments to AASB 1 First-time Adoption of Australian Accounting Standards. These amendments arise primarily from the issuance of Government Loans (Amendments to IFRS 1) by the International Accounting Standards Board in March 2012.	31 December 2013	AASB 2012-4 adds an exception to the retrospective application of Australian Accounting Standards under AASB 1 First-time Adoption of Australian Accounting Standards to require that first-time adopters apply the requirements in AASB 139 Financial Instruments: Recognition and Measurement (or AASB 9 Financial Instruments) and AASB 120 Accounting for Government Grants and Disclosure of Government Assistance prospectively to government loans (including those at a below-market rate of interest) existing at the date of transition to Australian Accounting Standards.	None	Unlikely to have a significant impact as it relates to first time adoption of Australian Accounting Standards.
AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle	None	These amendments are a consequence of the annual improvements process, which provides a vehicle for making non-urgent but necessary amendments to Standards. These amendments follow the issuance of Annual Improvements to IFRSs 2009–2011 Cycle issued by the International Accounting Standards Board in May 2012. See TA Alert 2012-2 for further information.	31 December 2013	AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The Standard addresses a range of improvements, including the following: • repeat application of AASB 1 is permitted (AASB 1); and • clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements).	None	Unlikely to have a significant impact on entities

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Mandatory Effective Date of IFRS 9 and Transition Disclosures[1]	None	This Standard amends IFRS 9 to require application for annual periods beginning on or after 1 January 2015, rather than 1 January 2013. Early application of IFRS 9 is still permitted. IFRS 9 is also amended so that it does not require the restatement of comparative-period financial statements for the initial application of the classification and measurement requirements of IFRS 9, but instead requires modified disclosures on transition to IFRS 9. Refer to [TA Alert 2011-22] for further details.	31 December 2015	The amendments provide relief from the requirement to restate comparative financial statements for the effect of applying IFRS 9. This relief was originally only available to companies that chose to apply IFRS 9 prior to 2012. Additional transition disclosures will now be required to help understand the initial application of the Standard.	IFRS 10 IFRS 11 IFRS 13	None as the mandatory effective date has been deferred.

1. The AASB has not issued this amendment, which was finalised by the IASB in December 2011.

Action required

Entities should consider discussing 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 NAS@grantthornton.com.au