

Technical Accounting Alert

What's New for June 2013?

Introduction

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

- provide information on new and revised Accounting Standards that are mandatorily applicable for the first time to 30 June 2013 annual and/or half-year ends; and
- highlight other recent financial reporting developments.

This TA Alert incorporates all the relevant pronouncements and developments as at **15 February 2013**. Entities should also take into account any new pronouncements issued, or developments taking place, after this date if they are relevant for the financial year and/or half-years ending 30 June 2013.

Appendix A of this TA Alert contains information on pronouncements issued by the Australian Accounting Standards Board (AASB) and the International Accounting Standards Board (IASB) that are not yet applicable. For a comprehensive list of all the pronouncements issued by the AASB and the IASB that are not yet effective, refer to our latest TA Alert on this topic on our website (http://www.grantthornton.com.au/Publications/Tools-and-resources/Technical-publications/Local_Alerts.asp).

Overview

There are a number of new and revised Australian accounting requirements that apply mandatorily for the first time to annual and/or half-year reporting periods ending 30 June 2013, which are summarised in the table below:

Standard/Interpretation	Mandatory effective date (Annual periods beginning on or after ...)	Applicable for the first time to year ending 30 June 2013?	Applicable for the first time to half-year ending 30 June 2013?
AASB 10 <i>Consolidated Financial Statements</i>	1 January 2013	X	✓
AASB 11 <i>Joint Arrangements</i>	1 January 2013	X	✓
AASB 12 <i>Disclosure of Interests in Other Entities</i>	1 January 2013	X	✓
AASB 13 <i>Fair Value Measurement</i>	1 January 2013	X	✓
AASB 119 <i>Employee Benefits</i> (September 2011)	1 January 2013	X	✓

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Standard/Interpretation	Mandatory effective date (Annual periods beginning on or after ...)	Applicable for the first time to year ending 30 June 2013?	Applicable for the first time to half-year ending 30 June 2013?
AASB 127 <i>Separate Financial Statements</i> (August 2011)	1 January 2013	X	✓
AASB 128 <i>Investments in Associates and Joint Ventures</i> (August 2011)	1 January 2013	X	✓
AASB 2010-8 <i>Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets</i>	1 January 2012	✓	X
AASB 2010-10 <i>Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters</i>	1 January 2013	X	✓
AASB 2011-3 <i>Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments</i>	1 July 2012	✓	✓
AASB 2011-7 <i>Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards</i>	1 January 2013	X	✓
AASB 2011-8 <i>Amendments to Australian Accounting Standards arising from AASB 13</i>	1 January 2013	X	✓
AASB 2011-9 <i>Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income</i>	1 July 2012	✓	✓
AASB 2011-10 <i>Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)</i>	1 January 2013	X	✓
AASB 2011-12 <i>Amendments to Australian Accounting Standards arising from Interpretation 20</i>	1 January 2013	X	✓
AASB 2011-13 <i>Amendments to Australian Accounting Standard – Improvements to AASB 1049</i>	1 July 2012	✓	✓
AASB 2012-2 <i>Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities</i>	1 January 2013	X	✓
AASB 2012-4 <i>Amendments to Australian Accounting Standards – Government Loans</i>	1 January 2013	X	✓
AASB 2012-5 <i>Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle</i>	1 January 2013	X	✓
AASB 2012-6 <i>Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures</i>	1 January 2013	X	✓
AASB 2012-8 <i>Amendments to AASB 1049 – Extension of Transitional Relief for the Adoption of Amendments to the ABS GFS Manual relating to Defence Weapons Platforms</i>	1 July 2012	✓	✓

Standard/Interpretation	Mandatory effective date (Annual periods beginning on or after ...)	Applicable for the first time to year ending 30 June 2013?	Applicable for the first time to half-year ending 30 June 2013?
AASB 2012-9 <i>Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039</i>	1 January 2013	X	✓
AASB 2012-10 <i>Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments</i> (amendments to AASB 10 and related standards)	1 January 2013	X	✓
AASB Interpretation 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2013	X	✓

Requirements applying for the first time to annual periods ending 30 June 2013

AASB 2011-3, AASB 2011-13 and AASB 2012-8 are only relevant for entities in the public sector. Accordingly, this TA Alert focuses only on AASB 2010-8 and AASB 2011-9.

AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets

AASB 2010-8 provides clarification on the determination of deferred tax assets and deferred tax liabilities when investment property is measured using the fair value model in AASB 140 *Investment Property*. It introduces a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model where the objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

AASB 2010-8 also includes the requirement that the measurement of deferred tax assets and deferred tax liabilities on non-depreciable assets measured using the revaluation model in AASB 116 *Property, Plant and Equipment* should always be based on recovery through sale.

See [TA Alert 2010-60](#) for more information.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income

AASB 2011-9 requires entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (i.e. reclassification adjustments).

AASB 2011-9 does not:

- remove the option to present profit or loss and other comprehensive income in two statements; or
- change the option to present items of OCI either before tax or net of tax.

However, if the items are presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified to profit or loss and those that will not be reclassified) must be shown separately.

Furthermore, AASB 2011-9 changes the title of ‘statement of comprehensive income’ to ‘statement of profit or loss and other comprehensive income’. When a two-statement approach is followed, the title of the first statement is amended to read ‘statement of profit or loss’. However, these amendments do not prohibit entities using titles other than those used in AASB 101 *Presentation of Financial Statements*.

See [TA Alert 2011-07](#) for more information.

Requirements applying for the first time to half-year periods ending 30 June 2013

Although a large number of new and revised standards became effective for half-year financial reporting periods ending 30 June 2013, this TA Alert focuses only on AASB 10, AASB 11, AASB 13, AASB 119, AASB 2012-2 and AASB 2012-5 as the other standards are unlikely to have any significant impact on 30 June 2013 half-years financial reports.

AASB 10 Consolidated Financial Statements

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*.

AASB 10 sets out requirements/provides guidance for situations when control is difficult to assess. This includes cases involving potential voting rights, agency relationships, control of specified assets (silos) and circumstances in which voting rights are not the dominant factor in determining control. The adoption of this standard is likely to result in more entities being consolidated into the group.

Refer to [TA Alert 2011-05](#) for further details.

AASB 11 Joint Arrangements

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.

AASB 13 Fair Value Measurement

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.

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.

AASB 119 Employee Benefits (September 2011)

Main changes include:

- Elimination of the ‘corridor’ approach for deferring gains/losses for defined benefit plans;
- Actuarial gains/losses on remeasuring the defined benefit plan obligation/asset to be recognised in OCI rather than in profit or loss, and cannot be reclassified in subsequent periods;
- Subtle amendments to timing for recognition of liabilities for termination benefits; and
- Employee benefits ‘expected to be settled’ (as opposed to ‘due to be settled’ under current standard) within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used within 12 months of end of reporting period will in future be discounted when calculating leave liability.

Consequential amendments were also made to other standards via AASB 2011-10.

Refer to [TA Alert 2011-08](#) for further details.

AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities

This Standard amends the required disclosures in AASB 7 *Financial Instruments: Disclosures* 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 *Financial Instruments: Presentation* to refer to the additional disclosures added to AASB 7 by this Standard.

See [TA Alert 2012-22](#) for further information.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle

These amendments are a consequence of the annual improvements process, which provides a vehicle for making non-urgent but necessary amendments to Standards.

The amendments made are largely of the nature of clarifications or removals of unintended inconsistencies between Australian Accounting Standards (for example, AASB 101 is amended to clarify that related notes to an additional statement of financial position are not required in the event of a change in accounting policy, reclassification or restatement).

See [TA Alert 2012-2](#) for further information.

Other financial reporting developments

ASIC Focus Areas for 30 June 2013

Australian Securities and Investments Commission (ASIC) is yet to announce its focus areas for 30 June 2013 financial reports. However, we expect them to be similar to ASIC focus areas for 31 December 2012 financial reports, being:

- Revenue recognition;
- Expense deferral;

- Asset values;
- Off-balance sheet arrangements;
- Going concern;
- Non-IFRS financial information disclosures;
- Current vs. non-current classifications;
- Estimates and accounting policy judgements;
- Financial instruments; and
- New accounting standards.

See [TA Alert 2012-12](#) for further information. When ASIC publishes its focus areas for 30 June 2013 financial reports, we will issue a new TA Alert which will be located under:

http://www.grantthornton.com.au/Publications/Tools-and-resources/Technical-publications/Local_Alerts.asp.

Corporations Legislation Amendment (Audit Enhancement) Act 2012

In June 2012, the Australian Government passed the *Corporations Legislation Amendment (Audit Enhancement) Act 2012* which amended *Corporations Act 2001* to:

- enable directors of a listed company or listed registered scheme to extend the auditor rotation period for up to two years in certain circumstances (from 5 years to 7 years); and
- require auditors, including firms and audit companies, who audit ten or more listed companies, listed registered schemes, authorised deposit-taking institutions and insurance companies to publish a transparency report.

The Act also amended the *Australian Securities and Investments Commission Act 2001* to:

- require the Financial Reporting Council (FRC) to provide the Minister and professional accounting bodies with advice in relation to the quality of audits conducted by Australian auditors;
- enable the Australian Securities and Investments Commission (ASIC) to publish information about audit failures it has identified; and
- enable ASIC to communicate certain information obtained regarding an audit directly with the audited body.

The changes to the *Australian Securities and Investments Commission Act 2001* took effect on 27 June 2012, whereas the amendments to *Corporations Act 2001* became operational on 25 July 2012.

For further information, refer to [TA Alert 2012-03](#).

AASB Staff Guidance on Carbon Tax

On 5 July 2012, the AASB published a staff paper entitled [Possible Financial Reporting Implications for the Fixed Price Phase of the Carbon Pricing Mechanism for Emitter Entities](#).

The paper is designed to assist constituents in identifying the key financial reporting issues that may arise for issuer entities during the fixed price phase of the carbon pricing mechanism and possible accounting treatments in respect of those issues under current Australian Accounting Standards.

This staff paper has no authoritative standing.

Changes to Victorian Incorporated Associations Legislation

The Victorian Government passed the *Associations Incorporation Reform Act 2012* which became operative on 26 November 2012. The new Act will replace the existing *Associations Incorporation Act 1981*.

Under this Act, among other changes, a new three-tiered reporting framework will replace the current 'prescribed' and 'non-prescribed' reporting requirements. The tiers are based on an association's total revenue:

- Tier one: \$0 – \$250,000;
- Tier two: \$250,000 – \$1,000,000; and
- Tier three: more than \$1,000,000.

Only tier-three associations will be required to have their financial statements audited. Tier-two associations will be required to have their financial statements reviewed (or audited) by an independent accountant. Tier-one associations do not need to have their financial statements reviewed. However, a majority of members present at a general meeting may vote to do so.

For further information, refer to the Consumer Affairs Victoria [website](#).

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 A: Accounting Standards Issued But Not Yet Effective

AASB Standards issued but not yet effective**

Standard/Interpretation	Date of Issue	Mandatory effective date (Annual periods beginning on or after ...)	Early adoption permitted?#
AASB 9 <i>Financial Instruments</i>	6 December 2010	1 January 2015	Yes (extensive transitional rules apply)
AASB 10 <i>Consolidated Financial Statements</i>	29 August 2011	1 January 2013 [Not for profit entities are not required to apply this standard until 1 January 2014]	Yes (but must apply AASB 11, AASB 12, AASB 127 and AASB 128 at the same time. Not-for-profit entities can only early adopt for annual periods from 1 January 2013.)
AASB 11 <i>Joint Arrangements</i>	29 August 2011	1 January 2013 [Not for profit entities are not required to apply this standard until 1 January 2014]	Yes (but must apply AASB 10, AASB 12, AASB 127 and AASB 128 at the same time. Not-for-profit entities can only early adopt for annual periods from 1 January 2013.)
AASB 12 <i>Disclosure of Interests in Other Entities</i>	29 August 2011	1 January 2013 [Not for profit entities are not required to apply this standard until 1 January 2014]	Yes (but not-for-profit entities can only early adopt for annual periods from 1 January 2013.)
AASB 13 <i>Fair Value Measurement</i>	2 September 2011	1 January 2013	Yes
AASB 119 <i>Employee Benefits</i>	5 September 2011	1 January 2013	Yes
AASB 127 <i>Separate Financial Statements</i>	29 August 2011	1 January 2013 [Not for profit entities are not required to apply this standard until 1 January 2014]	Yes (but must apply AASB 10, AASB 11, AASB 12 and AASB 128 at the same time. Not-for-profit entities can only early adopt for annual periods from 1 January 2013.)
AASB 128 <i>Investments in Associates and Joint Ventures</i>	29 August 2011	1 January 2013 [Not for profit entities are not required to apply this standard until 1 January 2014]	Yes (but must apply AASB 10, AASB 11, AASB 12 and AASB 127 at the same time. Not-for-profit entities can only early adopt for annual periods from 1 January 2013.)
AASB 2010-10 <i>Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters</i>	13 December 2010	1 January 2013	Yes
AASB 2011-7 <i>Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards</i>	29 August 2011	1 January 2013	Yes

Standard/Interpretation	Date of Issue	Mandatory effective date (Annual periods beginning on or after ...)	Early adoption permitted?#
AASB 2011-4 <i>Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements</i>	7 July 2011	1 July 2013	No
AASB 2011-8 <i>Amendments to Australian Accounting Standards arising from AASB 13</i>	2 September 2011	1 January 2013	Yes
AASB 2011-10 <i>Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)</i>	5 September 2011	1 January 2013	Yes
AASB 2011-12 <i>Amendments to Australian Accounting Standards arising from Interpretation 20</i>	14 November 2012	1 January 2013	Yes
AASB 2012-2 <i>Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities</i>	6 July 2012	1 January 2013	No
AASB 2012-3 <i>Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities</i>	6 July 2012	1 January 2014	Yes
AASB 2012-4 <i>Amendments to Australian Accounting Standards – Government Loans</i>	6 July 2012	1 January 2013	Yes
AASB 2012-5 <i>Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle</i>	6 July 2012	1 January 2013	Yes
AASB 2012-6 <i>Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures</i>	14 September 2012	1 January 2013	Yes
AASB 2012-9 <i>Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039</i>	17 December 2012	1 January 2013	Yes
AASB 2012-10 <i>Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments (amendments to AASB 10 and related standards)</i>	18 December 2012	1 January 2013	Yes
AASB Interpretation 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	November 2011	1 January 2013	Yes

IASB Standards not yet issued by the AASB

Standard	Date of Issue	Mandatory effective date (Annual periods beginning on or after ...)	Early adoption permitted?
<i>Investment Entities</i> (Amendments to IFRS 10, IFRS 12 and IAS 27)^	31 October 2012	1 January 2014	Yes

* For a comprehensive list of all the pronouncements issued by the AASB/IASB that are not yet effective, refer to our latest *TA Alert* on this topic on our website (http://www.grantthornton.com.au/Publications/Tools-and-resources/Technical-publications/Local_Alerts.asp).

+ Note that this table does not include any standards relating to *Reduced Disclosure Requirements* (RDR).

Entities intending to early adopt these pronouncements should refer to the specific early application provisions in each Standard.

^ The AASB decided to delay adoption of the investment entity requirements in Australia until it undertakes further due process to consider additional compensating disclosures. The AASB issued Exposure Draft ED 233 *Australian Additional Disclosures - Investment Entities* on 21 December 2012. The ED proposes Australian additional disclosures for inclusion in AASB 1054 *Australian Additional Disclosures*. Comments on ED 233 are due by 29 March 2013.