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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 2015; and
- assist entities in meeting the disclosure requirements in paragraph 30 of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*

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:

- early adopting the Standards in accordance with section 334(5) of *Corporations Act 2001* (via a Director's 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.**

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).

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 the entity 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 2015

The table below on pages 3-10 summarises all Accounting Standards (and Interpretations) that have been issued by the AASB and IASB as at **6 July 2015**. 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.

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 adopted early, 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.

New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after...)	Likely impact on initial application
AASB 9 *Financial Instruments (December 2014)* [Also refer to AASB 2013-9 and AASB 2014-1 below]	*AASB 139 Financial Instruments: Recognition and Measurement*	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: (i) the objective of the entity's business model for managing the financial assets; and (ii) 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 Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments. d 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. e Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: • the change attributable to changes in credit risk are presented in Other Comprehensive Income ('OCI') • 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.	1 January 2018	***[if the entity has undertaken a detailed assessment and concluded that there will be no material impact]*** *When this standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.* ***[if the entity has undertaken a detailed assessment and concluded that there will be material impact]*** *Based on the entity's assessment, it is expected that the first-time adoption of AASB 9 for the financial year ending 30 June 2019 will have a material impact on the transactions and balances recognised in the financial statements, in particular:* • *(insert impact)* • *(insert impact)* ***[if the entity has not undertaken a detailed assessment but expects there will be no material impact based on a preliminary assessment]*** *The entity is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.* ***[if the entity has not undertaken a detailed assessment but expects there will be material impact based on a preliminary assessment]*** *The entity is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the entity's preliminary assessment, the likely impact on the first time adoption of the Standard for the year ending 30 June 2019 includes:* • *(insert impact)* • *(insert impact)*

New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after...)	Likely impact on initial application
AASB 9 *Financial Instruments (December 2014)* continued	(As above)	AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements. Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting. See TA Alert 2009-22, TA Alert 2010-49, TA Alert 2013-13 and TA Alert 2014-09 for further information. Note that ASIC has included the disclosure of the impact of AASB 9 as a key focus area for the 30 June 2015 reporting season, so it is important for Directors to ensure that 30 June 2015 financial reports disclose the specific impact of AASB 9. For more information, refer to our TA Alert 2015-06 *ASIC focus areas for 30 June 2015 financial reports*.		
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 undertaken a detailed assessment and concluded that there will be a material 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 undertaken a detailed assessment but expects there will be no material impact based on a preliminary assessment]*** *The entity is yet to undertake a detailed assessment of the impact of AASB 1056. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the financial statements when it is first adopted for the year ending 30 June 2017.*

New / revised pronouncement	Superseded 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	***[if the entity is not a first-time adopter of Australian Accounting Standards or not conducting any rate-regulated activities]*** *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.*
AASB 15 *Revenue from Contracts with Customers*	AASB 118 *Revenue* AASB 111 *Construction Contracts* Int. 113 *Customer Loyalty Programmes* Int. 115 *Agreements for the Construction of Real Estate* Int. 118 *Transfer of Assets from Customers*	AASB 15: • replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and some revenue-related Interpretations: – establishes a new 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 May 2015, the AASB issued ED 260 *Income of Not-for-Profit Entities*, proposing to replace the income recognition requirements of AASB 1004 *Contributions* and provide guidance to assist not-for-profit entities to apply the principles of AASB 15. The ED is open for comment until 14 August 2015. Note that ASIC has included the disclosure of the impact of AASB 15 as a key focus area for the 30 June 2015 reporting season, so it is important for Directors to ensure that 30 June 2015 financial reports disclose the specific impact of AASB 15. For more information, refer to our TA Alert 2015-06 *ASIC focus areas for 30 June 2015 financial reports*.	1 January 2017 (*however note that both the IASB & AASB have recently issued Exposure Drafts, proposing to defer the effective date to 1 January 2018*)	***[if the entity has undertaken a detailed assessment and 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.* ***[if the entity has undertaken a detailed assessment and concluded that there will be material impact (for example, due to the application of AASB 15 guidance on multiple element contracts, contingent consideration / variable fees, etc)]*** *Based on the entity's assessment, it is expected that the first-time adoption of AASB 15 for the year ending 30 June 2018 will have a material impact on the transactions and balances recognised in the financial statements, in particular:* • *(Insert impact)* • *(Insert impact)* ***[if the entity has not undertaken a detailed assessment but expects there will be no material impact based on a preliminary assessment]*** *The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2018.* ***[if the entity has not undertaken a detailed assessment but expects there will be material impact based on a preliminary assessment]***

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New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after...)	Likely impact on initial application
AASB 15 *Revenue from Contracts with Customers* (continued)	As above			*The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the likely impact on the first time adoption of the Standard for the year ending 30 June 2018 includes:* • *(insert impact)* • *(insert impact)*
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	***[if the entity is not a first-time adopter of Australian Accounting Standards or not conducting any rate-regulated activities]*** *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.*
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	*Refer to the section on AASB 9 above.*
AASB 2014-3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations*	None	The amendments to AASB 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 AASB 3 *Business Combinations*, should: • apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except principles that conflict with the guidance of AASB 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 AASB 3 and other Australian Accounting Standards.	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.*

New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after...)	Likely impact on initial application
AASB 2014-4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation*	None	The amendments to AASB 116 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 AASB 138 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 (2) limited circumstances: i 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 ii When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.	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.*
AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*	None	AASB 2014-5 incorporates the consequential amendments arising from the issuance of AASB 15.	1 January 2017	*Refer to the section on AASB 15 above.*
AASB 2014-6 *Amendments to Australian Accounting Standards – Agriculture: Bearer Plants*	None	AASB 2014-6 defines bearer plants and requires bearer plants to be accounted for as property, plant and equipment within the scope of AASB 116 *Property, Plant and Equipment* instead of AASB 141 *Agriculture*.	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.*
AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*	None	AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9.	1 January 2018	*Refer to the section on AASB 9 above.*

New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after...)	Likely impact on initial application
AASB 2014-8 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010)*	None	AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 [December 2009] and AASB 9 [December 2010]) from 1 February 2015.	1 January 2015	*Refer to the section on AASB 9 above.*
AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements*	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.*
AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	None	The amendments address a current inconsistency between AASB 10 *Consolidated Financial Statements* and AASB 128 Investments in Associates and Joint Ventures (2011). The amendments clarify that, on a sale or contribution of assets to a joint venture or associate or on a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, any gain or loss recognised will depend on whether the assets or subsidiary constitute a business, as defined in AASB 3 *Business Combinations*. Full gain or loss is recognised when the assets or subsidiary constitute a business, whereas gain or loss attributable to other investors' interests is recognised when the assets or subsidiary do not constitute a business. This amendment effectively introduces an exception to the general requirement in AASB 10 to recognise full gain or loss on the loss of control over a subsidiary. The exception only applies to the loss of control over a subsidiary that does not contain a business, if the loss of control is the result of a transaction involving an associate or a joint venture that is accounted for using the equity method. Corresponding amendments have also been made to AASB 128 (2011).	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.*

New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after...)	Likely impact on initial application
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle	None	These amendments arise from the issuance of *Annual Improvements to IFRSs 2012-2014 Cycle* in September 2014 by the IASB. Among other improvements, the amendments clarify that when an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution (or vice-versa), the accounting guidance in paragraphs 27-29 of AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* does not apply. The amendments also state that when an entity determines that the asset (or disposal group) is no longer available for immediate distribution or that the distribution is no longer highly probable, it should cease held-for-distribution accounting and apply the guidance in paragraphs 27-29 of AASB 5.	1 January 2016	*When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.*
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	None	The amendments: • clarify the materiality requirements in AASB 101, including an emphasis on the potentially detrimental effect of obscuring useful information with immaterial information • clarify that AASB 101's specified line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position can be disaggregated • add requirements for how an entity should present subtotals in the statement(s) of profit and loss and other comprehensive income and the statement of financial position • clarify that entities have flexibility as to the order in which they present the notes, but also emphasise that understandability and comparability should be considered by an entity when deciding that order • remove potentially unhelpful guidance in IAS 1 for identifying a significant accounting policy.	1 January 2016	***[if the entity has concluded that there will be no materiality impact]*** *When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.*
AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	None	The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.	1 July 2015	*When this Standard is first adopted for the year ending 30 June 2016, there will be no impact on the financial statements.*

New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after...)	Likely impact on initial application
AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent	None	The Standard aligns the relief available in AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* in respect of the financial reporting requirements for Australian groups with a foreign parent.	1 July 2015	***[if the entity has concluded that there will be no material impact]*** *When these amendments are first adopted for the year ending 30 June 2016, there will be no material impact on the financial statements.*
AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception	None	The narrow-scope amendments to AASB 10 *Consolidated Financial Statements*, AASB 12 *Disclosure of Interests in Other Entities* and AASB 128 *Investments in Associates and Joint Ventures* introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards.	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.*
AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities	None	The amendments extend the scope of AASB 124 *Related Party Disclosures* to include not-for-profit public sector entities. The key impact of the amendments is to specify consistent related party disclosure requirements for the Australian Government, State Governments, local councils and other not-for-profit public sector entities.	1 July 2016	***[all entities other than not-for-profit public sector entities]*** *When these amendments are first adopted for the year ending 30 June 2017, there will be no impact on the financial statements.* ***[not-for-profit public sector entities that have concluded that there will be a material impact]*** *When these amendments are first adopted for the year ending 30 June 2017, there will be significant additional disclosures on the financial statements.* ***[not-for-profit public sector entities that have 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.*

Action required

With the 30 June 2015 financial reporting season fast approaching, entities should now take time to review and consider the impact of new and revised Accounting Standards that have been issued but are not yet effective. This is particularly important considering that ASIC is looking to scrutinise disclosures in this area. ASIC has included the impact of the new revenue and financial instruments standards as a specific area of focus for the 30 June 2015 reporting season. For more information on ASIC focus areas, refer to our TA Alert 2015-06 *ASIC focus areas for 30 June 2015 financial reports*.

Further information

For queries 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.