

## What's new in financial reporting for June 2008?

The analysis below provides a high level overview of new and revised financial reporting requirements that need to be considered for financial reporting periods ending on 30 June 2008. Entities can use this listing to perform a quick check that all the new financial reporting requirements have been fully considered as part of their June reporting close process. The information below was last updated on 25 September 2008 for developments to that date – we will update this document if any significant developments occur in the period to 30 September 2008.

### What are the big picture issues for June 2008?

The key considerations for June 2008 include:

- the impact of the '**credit crunch**' on financial reporting, including such areas as fair value and impairment, classification of debt as current or non-current, foreign exchange exposures, associated disclosure requirements and more. More information can be found on our dedicated 'credit crunch' page on our IAS Plus website and our Deloitte Australia Insights podcast 'ASIC's perspective on the credit crunch and June financial reporting – An interview with Doug Niven'
- the impact of the new disclosure requirements in **AASB 7 Financial Instruments: Disclosures**, which must be mandatorily adopted for the first time by annual June reporters (there are no specific disclosures for half-year reporters). Entities should not underestimate the time and effort involved in preparing for the implementation of this Standard and the disclosures will have added importance given the current volatility in global markets. Further information on this can be found in Accounting alert 2008/05. Example disclosures can be found in our illustrative financial report for June 2008
- the impacts of **AASB 2007-4 Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments**, **AASB 2007-7 Amendments to Australian Accounting Standards** and **Erratum: Proportionate Consolidation**, which, together with the October 2006 version of AASB 101 *Presentation of Financial Statements*, offer new accounting policy choices and eliminate many Australian-specific disclosures. Further information on this can be found in Accounting alert 2007/09
- the impacts of the **Corporations Act 2001 amendments** on reporting requirements, particularly the changes to the s.300A remuneration report (and associated amendments to AASB 124 *Related Party Disclosures*) and the revised small/large proprietary company test. Further information on this can be found in Accounting alert 2008/08 and our Deloitte Australia Insight podcast 'Justifying executive compensation in the current environment'
- for most **unlisted entities**, the option of early adopting AASB 8 *Operating Segments* should be considered, so as to avoid segment reporting disclosures
- whether piecemeal early adoption of the Standards comprising '**the next wave of IFRS**' should be considered, or left to a 'big bang' from 2009/10 – new/revised standards on segment reporting, borrowing costs, financial statement presentation, share-based payment, business combinations and consolidated and separate financial statements have already been issued, and it is possible that other Standards may be issued before the close of the June reporting season.

As occurs so often with changes to accounting standards and financial reporting requirements, some of the other new or revised pronouncements listed in the tables below may have substantial impact on particular entities. Therefore, it is important that the pronouncements listed are carefully reviewed for any potential impacts or opportunities.

Where early adoption is being contemplated, it is important to address any necessary procedural requirements, e.g. for entities reporting under the *Corporations Act 2001*, appropriate directors' resolutions for early adoption must be made under s.334(5).

In addition, the disclosure requirements required in relation to new and revised accounting pronouncements, as outlined in Appendix A, need to be carefully considered.



**What are the new and revised accounting pronouncements for June 2008?**

The tables below outline the new and revised pronouncements that either are to be applied for the first time at 30 June 2008, or which may be early adopted at that date.

In the majority of cases, the disclosure requirements of the pronouncements listed in the tables below would not be applicable to half-year financial reports. However, where relevant, the recognition and measurement requirements of any relevant pronouncements would be applied where those pronouncements have been adopted by the entity.

New or revised requirement	Effective for annual reporting periods beginning/ending on or after	Applicability at 30 June 2008 to	
		Annual reporting periods	Interim reporting periods

**New and revised IFRS-equivalent Standards**

<p><b>AASB 101 Presentation of Financial Statements (revised October 2006)</b></p> <p>Removes Australian specific requirements from AASB 101 and incorporates amendments made on the previous version of AASB 101 on the introduction of AASB 7 surrounding the disclosure of the entity's objectives, policies and processes for managing capital.</p>	(beginning) 1 January 2007	Mandatory	Already implemented
<p><b>AASB 101 Presentation of Financial Statements (revised September 2007), AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101</b></p> <p>The main changes from the previous version of AASB 101 are to require that an entity must:</p> <ul style="list-style-type: none"> <li>• present all non-owner changes in equity ('comprehensive income') either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income may not be presented in the statement of changes in equity</li> <li>• present an additional statement of financial position (balance sheet) as at the beginning of the earliest comparative period when the entity applies an accounting policy retrospectively, makes a retrospective restatement, or reclassifies items in its financial statements (this would generally mean that three balance sheets are presented in these circumstances)</li> <li>• disclose income tax relating to each component of other comprehensive income</li> <li>• disclose reclassification adjustments relating to components of other comprehensive income.</li> </ul> <p>In what many Australian constituents may consider a 'back to the future' change, AASB 101 amends the titles of financial statements as follows:</p> <ul style="list-style-type: none"> <li>• 'balance sheet' will become 'statement of financial position'</li> <li>• 'income statement' will become part of the 'statement of comprehensive income', unless a separate income statement is presented</li> <li>• 'cash flow statement' will become 'statement of cash flows'.</li> </ul>	(beginning) 1 January 2009	Optional	Optional
<p><b>AASB 123 Borrowing Costs (revised), AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123</b></p> <p>AASB 123 is equivalent to IAS 23 of the same name and eliminates the option of expensing borrowing costs related to qualifying assets, instead requiring capitalisation. Transitional provisions require prospective application to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after the application date. However, an entity may designate any date before the application date and apply the Standard to borrowing costs relating to all qualifying assets for which the commencement date for capitalisation is on or after that date. The Amending Standard eliminates reference to the expensing option in various other pronouncements.</p>	(beginning) 1 January 2009	Optional	Optional

What are the new and revised accounting pronouncements for June 2008? (continued)

New or revised requirement	Effective for annual reporting periods beginning/ending on or after	Applicability at 30 June 2008 to	
		Annual reporting periods	Interim reporting periods
<p><b>AASB 3 Business Combinations (2008), AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127</b></p> <p>Revised standards resulting from the joint IASB-FASB Business Combinations Phase II project, equivalent to revised IFRS 3 <i>Business Combinations</i> and IAS 27 <i>Consolidated and Separate Financial Statements</i>. Alters the manner in which business combinations and changes in ownership interests in subsidiaries are accounted for. There are also consequential amendments to other standards effected through AASB 2008-3, most notably AASB 128 <i>Investments in Associates</i> and AASB 131 <i>Interests in Joint Ventures</i>.</p> <p><i>Note: The AASB is still considering whether, and if so, how the revised AASB 3 should be applied by not-for-profit entities. Accordingly, such entities are prohibited from applying AASB 3 before its mandatory application date.</i></p>	<p><b>AASB 3</b> (business combinations occurring after the beginning of annual reporting periods beginning) 1 July 2009</p> <p><b>AASB 127 and AASB 2008-3</b> (beginning) 1 July 2009</p>	Optional	Optional
<p><b>AASB 7 Financial Instruments: Disclosures, AASB 2005-10 Amendments to Australian Accounting Standards</b></p> <p>AASB 7 is equivalent to IFRS 7 of the same name and introduces new disclosure requirements in relation to financial instruments. AASB 2005-10 implements various amendments to other standards, most notably to implement the IASB Amendment to IAS 1 <i>Presentation of Financial Statements – Capital Disclosures</i>.</p>	(beginning) 1 January 2007	Mandatory	Already implemented (no specific disclosures required in interim financial reports)
<p><b>AASB 8 Operating Segments, AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8</b></p> <p>AASB 8 replaces AASB 114 <i>Segment Reporting</i> and introduces a new 'management approach' to segment reporting to align IFRS with US-GAAP. Unlike AASB 114, AASB 8 only applies to entities which have on issue any debt or equity securities that are traded in a public market (or which are in the process of issuing any class of instruments in a public market). Therefore, reporting entities that are out of scope of AASB 8 may wish to early adopt this Standard to avoid segment reporting in their financial reports.</p> <p><i>Note: On 22 September 2008, the AASB publicly released a revised version of AASB 1039 'Concise Financial Reports' to ensure consistency with this Standard. See Domestic Standards below for more details</i></p>	(beginning) 1 January 2009	Optional	Optional
<p><b>Revised Guidance on Implementing IFRS 4 Insurance Contracts</b></p> <p>The Revised Guidance on IFRS 4 contains consequential amendments resulting from the issue of other pronouncements, most notably IFRS 7 <i>Financial Instruments: Disclosures</i>.</p>	(beginning) 1 January 2007	Mandatory (as guidance)	Already implemented (as guidance)

**New or revised domestic Standards**

<p><b>AASB 1004 Contributions (revised)</b></p> <p>This Standard applies to not-for-profit entities (reporting entities and general purpose financial reports) and the financial statements of the General Government Sectors (prepared in accordance with AASB 1049). The revisions have the effect of relocating the requirements on contributions from AASs 27, 29 and 31, substantively unamended (with some exceptions), into AASB 1004.</p>	(beginning) 1 July 2008	Optional	Optional
<p><b>AASB 1039 Concise Financial Reports (revised)</b></p> <p>Revised AASB 1039 that incorporates changes in terminology and descriptions of the financial statements to achieve consistency with AASB 101 <i>Presentation of Financial Statements</i> (September 2007) and updates the segment disclosure requirements to be consistent with AASB 8 <i>Operating Segments</i>.</p>	(beginning) 1 January 2009	Optional	Optional
<p><b>AASB 1048 Interpretation and Application of Standards (September 2007)</b></p> <p>Updated version of this 'service standard' to provide a mandatory requirement to comply with Interpretations in the Australian context.</p> <p><i>Note: At its September 2008 meeting, the AASB made an updated version of AASB 1048 that applies to annual reporting periods ending on or after 30 September 2008. This revised version of AASB 1048 had not been publicly released at the date that this document was last updated.</i></p>	(ending) 30 September 2007	Mandatory (refer to Interpretations below)	Mandatory (refer to Interpretations below)

What are the new and revised accounting pronouncements for June 2008? (continued)

New or revised requirement	Effective for annual reporting periods beginning/ending on or after	Applicability at 30 June 2008 to	
		Annual reporting periods	Interim reporting periods
<p><b>AASB 1049 Financial Reporting of General Government Sectors by Governments</b></p> <p>This Standard applies to the Australian Government and each State and Territory Government and is therefore of limited relevance to other entities. Now effectively superseded by the revised AASB 1049 (immediately below).</p>	(beginning) 1 July 2008	Optional	Optional
<p><b>AASB 1049 Whole of Government and General Government Sector Financial Reporting</b></p> <p>This Standard integrates GAAP/GFS harmonisation requirements for both GGS and whole of governments, combining the requirements of AASB 1049 <i>Financial Reporting of General Government Sectors by Governments</i> and the modified proposals from ED 155 <i>Financial Reporting by Whole of Governments</i>.</p>	(beginning) 1 July 2008	Optional	Optional
<p><b>AASB 1050 Administered Items</b></p> <p>This Standard only applies to general purpose financial statements of government departments. The main requirements are for a government department to disclose administered income, expenses, assets and liabilities (applying the principles of AASB 1052 <i>Disaggregated Disclosures</i>), along with details of certain non-department controlled transfers. Administered income, expenses, assets and liabilities are reported on the same basis adopted for the recognition of elements of financial statements.</p>	(beginning) 1 July 2008	Optional	Optional
<p><b>AASB 1051 Land Under Roads</b></p> <p>Applies to general purpose financial statements of local governments, government departments, GGSs and whole of governments. Requires land under roads acquired after the end of the first reporting period ending on or after 31 December 2007 to be accounted for under AASB 116 <i>Property, Plant and Equipment</i>, with transitional provisions for land acquired prior to that date.</p>	(beginning) 1 July 2008	Optional	Optional
<p><b>AASB 1052 Disaggregated Disclosures</b></p> <p>This Standard, which only applies to general purpose financial statements of local governments and government departments, specifies principles for reporting of financial information by function or activity by local governments and financial information about service costs and achievements by government departments.</p>	(beginning) 1 July 2008	Optional	Optional

**New Amending Standards**

The table below lists the Amending Standards that do not relate to the pronouncements listed in other tables.

<p><b>AASB 2007-4 Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments and Erratum: Proportionate Consolidation</b></p> <p>Implements the proposals in ED 151 <i>Australian Additions to, and Deletions from, IFRSs</i> and makes various other editorial amendments. New accounting policy choices are introduced and many Australian-specific disclosures deleted. Early adoption of this Standard may be attractive to many entities.</p> <p>Erratum: <i>Proportionate Consolidation</i> issued in July 2007 makes further revisions to various pronouncements relating to the introduction of the option of proportionate consolidation in AASB 131 <i>Interests in Joint Ventures</i>.</p>	(beginning) 1 July 2007	Mandatory	Mandatory
<p><b>AASB 2007-5 Amendments to Australian Accounting Standard – Inventories Held for Distribution by Not-for-Profit Entities</b></p> <p>Amends AASB 102 <i>Inventories</i> to require inventories held for distribution by not-for-profit entities to be measured at cost, adjusted when applicable for any loss of service potential.</p>	(beginning) 1 July 2007	Mandatory	Mandatory
<p><b>AASB 2007-7 Amendments to Australian Accounting Standards</b></p> <p>Makes editorial amendments to six Standards, removes the encouragement in AASB 107 <i>Cash Flow Statements</i> to adopt a particular format for the cash flow statement and deletes superseded implementation guidance accompanying AASB 4 <i>Insurance Contracts</i>.</p>	(beginning) 1 July 2007	Mandatory	Mandatory



What are the new and revised accounting pronouncements for June 2008? (continued)

New or revised requirement	Effective for annual reporting periods beginning/ending on or after	Applicability at 30 June 2008 to	
		Annual reporting periods	Interim reporting periods
<p><b>AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Process</b></p> <p>Makes amendments to 25 different Standards and is equivalent to the IASB Standard <i>Improvements to IFRSs</i> issued in May 2008. The IASB's annual improvements project provides a vehicle for making non-urgent but necessary amendments to Standards. The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting.</p> <p><i>Note: The insertion of early adoption conditions in some of the individual Standards that are amended by this Standard means that the amendments to each of those Standards can be applied separately from the amendments to the other Standards, provided the early adoption conditions in the particular Standard are satisfied.</i></p>	(beginning) 1 January 2009	Optional	Optional
<p><b>AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process</b></p> <p>Makes amendments to Australian Accounting Standards AASB 1 <i>First-time Adoption of Australian Equivalents to International Financial Reporting Standards</i> and AASB 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>. These amendments are additional to those in AASB 2008-5 <i>Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i>.</p> <p><i>Note: The amendments cannot be early adopted for annual reporting periods beginning before 1 July 2009 unless AASB 127 Consolidated and Separate Financial Statements (as amended by AASB 2008-5 in July 2008) also applies.</i></p>	(beginning) 1 July 2009	Optional	Optional
<p><b>AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</b></p> <p>This Amending Standard:</p> <ul style="list-style-type: none"> <li>• amends AASB 127 <i>Consolidated and Separate Financial Statements</i> to remove the definition of the 'cost method' and to require the separate financial statements of a new parent formed as the result of a specific type of reorganisation to measure the cost of its investment in the previous parent at the carrying amount of its share of the equity items of the previous parent at the date of the reorganisation</li> <li>• removes from AASB 118 <i>Revenue</i> the requirement to deduct dividends declared out of pre-acquisition profits from the cost of an investment in a subsidiary, jointly controlled entity or associate. Therefore, all dividends from a subsidiary, jointly controlled entity or associate are recognised by the investor as income</li> <li>• implements consequential amendments to AASB 136 <i>Impairment of Assets</i>, introducing a new indicator of impairment for investments in subsidiaries, jointly controlled entities and associates where a dividend has been recognised</li> <li>• allow first-time adopters to use a deemed cost of either fair value or the carrying amount under previous GAAP to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements.</li> </ul>	(beginning) 1 January 2009	Optional	Optional
<p><b>AASB 2008-8 Amendments to Australian Accounting Standards – Eligible Hedged Items</b></p> <p>Clarifies the hedge accounting provisions of AASB 139 <i>Financial Instruments: Recognition and Measurement</i> to address:</p> <ul style="list-style-type: none"> <li>• inflation in a financial hedged item – inflation may only be hedged if changes in inflation are a contractually specified portion of cash flows of a recognised financial instrument</li> <li>• a one-sided risk in a hedged item – the amendments make clear that the intrinsic value, not the time value, of an option reflects a one-sided risk and, therefore, an option designated in its entirety cannot be perfectly effective.</li> </ul>	(beginning) 1 July 2009	Optional	Optional

What are the new and revised accounting pronouncements for June 2008? (continued)

New or revised requirement	Effective for annual reporting periods beginning/ending on or after	Applicability at 30 June 2008 to	
		Annual reporting periods	Interim reporting periods
<b>New and revised Interpretations</b>			
<p><b>Interpretation 10 <i>Interim Financial Reporting and Impairment</i></b></p> <p>Equivalent to IFRIC 10 of the same name. Concludes that where an entity has recognised an impairment loss in an interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost because fair value is not reliably determinable, that impairment should not be reversed in subsequent interim financial statements nor in annual financial statements.</p>	(beginning) 1 November 2006	Mandatory	Already implemented
<p><b>Interpretation 11 <i>AASB 2 – Group and Treasury Share Transactions, AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation 11</i></b></p> <p>Equivalent to IFRIC 11 of the same name. Addresses whether certain types of share-based payment transactions with employees (or other suppliers of goods and services) should be accounted for as equity-settled or as cash-settled transactions under AASB 2.</p>	(beginning) 1 March 2007	Mandatory	Mandatory
<p><b>Interpretation 12 <i>Service Concession Arrangements, Interpretation 4 <i>Determining whether an Arrangement contains a Lease (revised)</i>, Interpretation 129 <i>Service Concession Arrangements: Disclosure (revised)</i>, AASB 2007-2 Amendments to Australian Accounting Standards arising from AASB Interpretation 12</i></b></p> <p>Equivalent to IFRIC 12 of the same name. Addresses the appropriate accounting for service concession arrangements under which private sector entities participate in the development, financing, operation and maintenance of infrastructure for the provision of public services, such as transport, water and energy facilities.</p>	(beginning) 1 January 2008	Optional	Mandatory
<p><b>Interpretation 13 <i>Customer Loyalty Programmes</i></b></p> <p>Adopts a revenue allocation rather than cost accrual approach to accounting for customer loyalty programmes. In other words, loyalty awards are not seen as costs that directly relate to the goods or services already delivered, rather they are separate goods or services delivered at a later date.</p>	(beginning) 1 July 2008	Optional	Optional
<p><b>Interpretation 14 <i>AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i></b></p> <p>This Interpretation deals with the following issues:</p> <ul style="list-style-type: none"> <li>• when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of AASB 119 <i>Employee Benefits</i></li> <li>• how a minimum funding requirement might affect the availability of reductions in future contributions</li> <li>• when a minimum funding requirement might give rise to a liability.</li> </ul>	(beginning) 1 January 2008	Optional	Mandatory
<p><b>Interpretation 15 <i>Agreements for the Construction of Real Estate</i></b></p> <p>Addresses the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, specifically two (related) issues:</p> <ul style="list-style-type: none"> <li>• determining whether an agreement for the construction of real estate is within the scope of AASB 111 <i>Construction Contracts</i> or AASB 118 <i>Revenue</i></li> <li>• when revenue from the construction of real estate should be recognised.</li> </ul>	(beginning) 1 January 2009	Optional	Optional
<p><b>Interpretation 16 <i>Hedges of a Net Investment in a Foreign Operation</i></b></p> <p>Provides guidance on net investment hedging, including:</p> <ul style="list-style-type: none"> <li>• which foreign currency risks qualify for hedge accounting, and what amount can be designated</li> <li>• where within the group the hedging instrument can be held</li> <li>• what amount should be reclassified to profit or loss when the hedged foreign operation is disposed of.</li> </ul>	(beginning) 1 October 2008	Optional	Optional

What are the new and revised accounting pronouncements for June 2008? (continued)

New or revised requirement	Effective for annual reporting periods beginning/ending on or after	Applicability at 30 June 2008 to	
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<p><b>Interpretation 1003 Australian Petroleum Resource Rent Tax</b></p> <p>This Australian-specific Interpretation specifies that Australian Petroleum Resource Rent Tax falls within the scope of Accounting Standard AASB 112 <i>Income Taxes</i>. Has the potential to have effects on accounting for other government imposts.</p>	(ending) 30 June 2008	Mandatory	Mandatory (for annual reporting period)
<p><b>Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities (revised)</b></p> <p>This revised Interpretation differs from UIG Interpretation 1038 in that it does not apply to government controlled not-for-profit entities or for-profit government departments in respect of a restructure of administrative arrangements.</p> <p>This Interpretation has also been updated for changes as a result of AASB 2007-8 <i>Amendments to Australian Accounting Standards arising from AASB 101</i>.</p>	(beginning) 1 July 2008	Optional	Optional

**Pronouncements approved by the IASB/IFRIC where an equivalent pronouncement has not been issued by the AASB**

<p><b>Improvements to IFRSs (2008)</b></p> <p>A collection of amendments to International Financial Reporting Standards (IFRSs), a result of the conclusions the IASB reached on proposals made in its annual improvements project for 2007-2008.</p> <p>Comprises two parts:</p> <ul style="list-style-type: none"> <li>• <b>part I</b> contains amendments that result in accounting changes for presentation, recognition or measurement purposes, with the IASB's rationale included in related Bases for Conclusions – topics include subsidiaries held for sale, below market interest-rate government loans, accounting for advertising and promotional expenditure and investment property under construction</li> <li>• <b>part II</b> contains amendments that are terminology or editorial changes only, which the IASB expects to have no or minimal effect on accounting.</li> </ul> <p><i>Note: On 1 August 2008, the AASB publicly released two Amending Standards, AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Process' and AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process', that introduce equivalent requirements into Australian Accounting Standards. See New Amending Standards above for more details.</i></p>	(beginning) 1 January 2009 (some amendments apply from 1 July 2009)	Optional	Optional
<p><b>Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</b></p> <p>The amendments to IFRS 1 and IAS 27:</p> <ul style="list-style-type: none"> <li>• allow first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements</li> <li>• remove the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor</li> <li>• implement consequential amendments to IAS 36, introducing a new indicator of impairment for investments in subsidiaries, jointly controlled entities and associates where a dividend has been recognised</li> <li>• require the separate financial statements of a new parent formed as the result of a specific type of reorganisation to measure the cost of its investment in the previous parent at the carrying amount of its share of the equity items of the previous parent at the date of the reorganisation.</li> </ul> <p><i>Note: On 7 August 2008, the AASB publicly released Amending Standard AASB 2008-7 'Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate' which introduces equivalent requirements into Australian Accounting Standards. See New Amending Standards above for more details.</i></p>	(beginning) 1 January 2009	Optional	Optional

What are the new and revised accounting pronouncements for June 2008? (continued)

New or revised requirement	Effective for annual reporting periods beginning/ending on or after	Applicability at 30 June 2008 to	
		Annual reporting periods	Interim reporting periods
<p><b>IFRIC 15 Agreements for the Construction of Real Estate</b></p> <p>Addresses the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, specifically two (related) issues:</p> <ul style="list-style-type: none"> <li>determining whether an agreement for the construction of real estate is within the scope of IAS 11 <i>Construction Contracts</i> or IAS 18 <i>Revenue</i></li> <li>when revenue from the construction of real estate should be recognised.</li> </ul> <p><i>Note: On 5 September 2008, the AASB publicly released Interpretation 15 'Agreements for the Construction of Real Estate' which introduces equivalent requirements into Australian Accounting Standards. See Interpretations above for more details.</i></p>	(beginning) 1 January 2009	Optional	Optional
<p><b>IFRIC 16 Hedges of a Net Investment in a Foreign Operation</b></p> <p>Provides guidance on net investment hedging, including:</p> <ul style="list-style-type: none"> <li>which foreign currency risks qualify for hedge accounting, and what amount can be designated</li> <li>where within the group the hedging instrument can be held</li> <li>what amount should be reclassified to profit or loss when the hedged foreign operation is disposed of.</li> </ul> <p><i>Note: On 5 September 2008, the AASB publicly released Interpretation 16 'Hedges of a Net Investment in a Foreign Operation' which introduces equivalent requirements into Australian Accounting Standards. See Interpretations above for more details.</i></p>	(beginning) 1 October 2008	Optional	Optional
<p><b>Eligible Hedged Items (an amendment to IAS 39 Financial Instruments: Recognition and Measurement)</b></p> <p>Clarifies the hedge accounting provisions of IAS 39 to address:</p> <ul style="list-style-type: none"> <li>inflation in a financial hedged item – inflation may only be hedged if changes in inflation are a contractually specified portion of cash flows of a recognised financial instrument</li> <li>a one-sided risk in a hedged item – the amendments make clear that the intrinsic value, not the time value, of an option reflects a one-sided risk and, therefore, an option designated in its entirety cannot be perfectly effective.</li> </ul> <p><i>On 22 September 2008, the AASB publicly released Amending Standard AASB 2008-8 'Amendments to Australian Accounting Standards – Eligible Hedged Items' which introduces equivalent requirements into Australian Accounting Standards. See New Amending Standards above for more details.</i></p>	(beginning) 1 July 2009	Optional	Optional

**Corporations Act 2001 developments**

The following developments related to the *Corporations Act 2001* during the last 12 months have direct or indirect impacts on financial reporting:

Development	When effective
<p><b>Corporations Legislation Amendment (Simpler Regulatory System) Act 2007</b></p> <p>Amends, among other matters: the thresholds around when proprietary companies must prepare and lodge financial statements, the electronic distribution of reports to members and the disclosure of executive remuneration.</p>	<p>Revised financial reporting thresholds for small/large proprietary companies and electronic distribution of reports to members apply to financial years <i>ending</i> on or after 28 June 2007.</p> <p>The changes to executive remuneration disclosures apply to financial years <i>beginning</i> on or after 28 June 2007.</p>
<p><b>Corporations Amendment Regulation 2007 (No. 2)</b></p> <p>Amends Regulation 2M.3.03 containing the prescribed remuneration information to be included in the remuneration report to be more consistent with the requirements of AASB 124 <i>Related Party Disclosures</i> while retaining the additional disclosures already prescribed by the existing legislation. Also repeals Regulation 2M.6.04 and Schedule 5B, which permitted the transfer of AASB 124 compensation information to the remuneration report.</p>	<p>Applies to financial years <i>beginning</i> on or after 30 June 2007.</p>

What are the new and revised accounting pronouncements for June 2008? (continued)

Development	When effective
<p><b>Corporations Amendment Regulation 2007 (No. 3)</b></p> <p>Repeals Regulation 2M.6.03 and Schedule 5A, which permitted bank and life insurance companies to rely on the financial reporting requirements in the <i>Banking Act 1959</i> and the <i>Life Insurance Act 1995</i> rather than the <i>Corporations Act 2001</i>.</p>	Amendments apply from 30 June 2007.
<p><b>Corporations (NZ Closer Economic Relations and Other Legislation) Amendment Act 2007 and Corporations Amendment Regulation 2007 (No. 8)</b></p> <p>Seeks to reduce the administrative burden of registration and the ongoing filing requirements of entities registered in prescribed countries (New Zealand) by decreasing the information of copies or documents required to be lodged with ASIC.</p>	The amendments related to the lodgement of documents commence on a single day to be fixed by Proclamation. However, if any of the provision(s) do not commence within the period of six months beginning on the day on which this Act receives Royal Assent (being 21 June 2007), they commence on the first day after the end of that period.
<p><b>Financial Sector Legislation Amendment (Restructures) Act 2007</b></p> <p>Deals with the introduction of 'non-operating holding companies' by financial institutions, providing these entities exemptions from certain provisions of the <i>Corporations Act 2001</i> with approval of the Minister.</p>	The Act commences from the date on which it received Royal Assent (28 June 2007).
<p><b>ASIC Class Order [CO 07/505] Variation and revocation of financial reporting instruments</b></p> <p>Amends existing ASIC relief as a consequence of the <i>Corporations Legislation Amendment (Simpler Regulatory System) Act 2007</i>, including:</p> <ul style="list-style-type: none"> <li>amending the 'large group' test in ASIC Class Order [CO 98/0098] <i>Small proprietary companies which are controlled by a foreign company but which are not part of a large group</i> and ASIC Declaration [CO 02/1432] <i>Registered foreign companies - financial reporting requirements</i> to mirror the larger financial reporting thresholds for proprietary companies under the <i>Corporations Act 2001</i></li> <li>revoking ASIC Class Orders [CO 05/0083] <i>Timing of auditor's declaration</i> and [CO 05/0910] <i>Auditor's independence declaration - exemption</i> as the relief they provided has been incorporated into the <i>Corporations Act 2001</i></li> <li>consequential amendments to ASIC Class Order [98/0096] <i>Synchronisation of financial year with foreign parent company</i>.</li> </ul>	Effective from 17 July 2007 (date the Class Order was gazetted).
<p><b>ASIC Class Order [CO 07/822] Variation of Class Order [CO 98/98]</b></p> <p>Amends Class Order [CO 98/98] to reduce the administrative burden on eligible companies relying on the relief in [CO 98/98] to lodge forms with ASIC every year. Class Order [CO 98/98] provides relief to small proprietary companies which are controlled by a foreign company from the requirement to prepare and lodge audited financial reports provided they are not part of a large group.</p>	Effective from 18 December 2007 (date of registration)
<p><b>ASIC Class Order [CO 08/11] Variation of Class Order [CO 98/1418]</b></p> <p>Amends Class Order 98/1418 <i>Wholly-owned entities</i>, including the removal of the three year compliance requirement for both wholly-owned subsidiaries and the holding entity which often hindered entities taking advantage of the relief available under the Class Order.</p>	Effective from 31 March 2008
<p><b>ASIC Class Order [CO 08/15] Disclosing entities – half-year financial reporting relief</b></p> <p>Relieves a disclosing entity from the requirement to prepare and lodge a half-year financial report and directors' report during the first financial year of the entity, where that first financial year lasts for eight months or less.</p>	Effective from 26 February 2008 (date of registration)
<p><b>ASIC Class Order [CO 08/285] Variation of Class Order [CO 98/1418]</b></p> <p>Makes minor technical amendments to Class Order [98/1418] <i>Wholly-owned entities</i>.</p>	Effective from 16 June 2008 (date of registration)
<p><b>ASIC Class Order [CO 08/618] Variation to wholly-owned entities class order</b></p> <p>Varies Class Order [CO 98/1418] <i>Wholly owned entities</i> by:</p> <ul style="list-style-type: none"> <li>removing condition (h)(i) so that asset values in the holding entity's consolidated financial statements are determined in accordance with accounting standards</li> <li>allowing for the substitution of one trustee for another trustee under condition (s) as contemplated by the pro forma deed of cross guarantee</li> <li>providing greater clarity as to when comparative information is required in note disclosures required for the holding entity's consolidated financial statements.</li> </ul>	Effective from 14 August 2008

## Other developments

The following are other developments that may have direct or indirect impacts on financial reporting:

- the ASX has released their revised Corporate Governance Principles and Recommendations (the Principles). The new Principles continue the non-prescriptive 'if not, why not' disclosure-based approach to Australian Corporate Governance. The new ASX Principles will apply for financial years beginning on or after 1 January 2008 (i.e. for a 30 June balance date company, 30 June 2009). More information on the revised Principles is available on [www.deloitte.com.au](http://www.deloitte.com.au).
- the following ASX Companies Updates have been issued during 2008 (available on the ASX website):
  - Companies Update 01/08 provides guidance on the disclosure obligations of listed entities when they seek a trading halt or suspension of their securities
  - Companies Update 02/08 provides guidance on the disclosure of material information relating to the financing arrangements of listed entities and the margin loans held by company directors
  - Companies Update 03/08 provides information on the lodgement of company announcements and disclosure of information under the JORC code by mining and exploration entities
  - Companies Update 04/08 provides details of recently amended ASX Guidance Notes
  - Companies Update 05/08 alerts companies to the ASX listing rule requirements for notification of directors' interests and the ASX's monitoring of compliance with those rules
  - Companies Update 06/08 notifies entities of the release of *Revised Supplementary Guidance to Principle 7* by the ASX Corporate Governance Council (Council). The Council has reworked the Revised Guidance to assist entities seeking to develop appropriate risk management and to report in relation to Principle 7. The Revised Guidance is also designed to assist entities wanting to 'early adopt' in relation to the 2nd Edition of the Revised Principles for the purpose of their annual reports for the 30 June 2008 year end.



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# Appendix A –

## Shedding light on the disclosures required

A-IFRS requires disclosures in relation to all the new or revised Accounting Standards and Interpretations that have had or may have a material impact on the annual financial report of the entity, **whether they have been adopted or not**. The requirements for interim financial reports are less onerous but must still be considered.

This Appendix sheds some light on these disclosure requirements, answering the following commonly asked questions:

- what accounting pronouncements require these disclosures?
- are non-reporting entities required to make the disclosures?
- what disclosures are required in annual financial reports?
- what disclosures are required in interim financial reports?
- do the annual disclosures extend to the effects of Interpretations that have not been adopted?
- do the annual disclosures extend to pronouncements issued by the IASB/IFRIC where an equivalent Australian pronouncement has not been made by the AASB at the date of signing the financial report?



### What accounting pronouncements require these disclosures?

The disclosure requirements surrounding new or revised accounting pronouncements are specified by:

- for annual reporting periods – AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*
- for interim reporting periods – AASB 134 *Interim Financial Reporting*.

### Are non-reporting entities required to make these disclosures?

It depends on the nature of the entity:

- all entities that prepare financial reports under the *Corporations Act 2001* are **required** to make these disclosures, regardless of whether they are a reporting entity or not
- other entities are only required to make these disclosures if they are a reporting entity or produce general purpose financial reports.

Therefore, only non-reporting entities that are **not** preparing financial reports under the *Corporations Act 2001* can avoid these disclosures. In any case, to ensure that the financial report is presented fairly, these entities may wish to include certain disclosures about any material effects of new or revised accounting pronouncements.

### What disclosures are required in annual financial reports?

The following table outlines the disclosures required in annual financial reports:

Applicability of new or revised pronouncement	Summary of disclosures required in annual financial report
Initial mandatory or voluntary application of a new or revised pronouncement	As required by paragraph 28 of AASB 108. Disclosures include the relevant pronouncement, the nature of the change in accounting policy, details of any transitional provisions, line-by-line analysis of the effect of the change in policy on the financial statements and the impacts on earnings per share.
Pronouncement on issue but not adopted	As required by paragraphs 30-31 of AASB 108. The financial report must disclose which pronouncements have been issued but not adopted in the financial report, when the pronouncements have mandatory application, when those pronouncements are going to be applied by the entity and the possible impact on the entity's financial report (where known or reasonably estimable).

Example disclosures of the above requirements can be found in our illustrative financial report.

## What disclosures are required in interim financial reports?

Paragraph 16(a) of AASB 134 requires disclosure in interim financial reports of the nature and effect of any change in accounting policy compared with the most recent annual financial report.

AASB 134 does not specify the level of detail of the disclosures required, and accordingly the level of detail may be less than is presented in an annual financial report in accordance with AASB 108. However, best practice might suggest that the requirements of AASB 108 be used as a guide.

The impacts of new or revised accounting pronouncements that have not been early adopted are not explicitly required to be disclosed in interim financial reports. Entities should consider making additional disclosures where the effects of these pronouncements are expected to be material and those effects have not been previously been disclosed in the prior annual financial report.

Example disclosures of the above requirements can be found in our illustrative financial report.

### Revisions to AASB 134 resulting from AASB 2007-4

Paragraph Aus27.1 of AASB 134 required disclosure of the effects on previous interim periods of changes in accounting policies that occurred during an entity's final current interim period (i.e. the second half for entities that prepare financial reports on a half-yearly basis). AASB 2007-4 *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments* eliminates these disclosures, effective for annual reporting periods beginning on or after 1 July 2007.

For more information, see Accounting alert 2007/09 *Applying 2007-4 – new accounting policy choices, reduced disclosure*, available at [www.deloitte.com.au](http://www.deloitte.com.au)

## Do the annual disclosures extend to the effects of Interpretations that have not been adopted?

Yes.

Due to legal restrictions, the application of an Australian Interpretation in the preparation of a financial report is mandated through the 'service standard', AASB 1048 *Interpretation and Application of Standards*. AASB 1048 is reissued on a periodic basis as new Interpretations are made and includes a listing of all Australian Interpretations on issue and their application date.

Accordingly, entities are required to disclose the impacts of the application of any version of AASB 1048 which is not yet effective (and which has not been early adopted), which would include the Australian Interpretations listed in that Standard that have not been applied in the preparation of the financial report.

### Deciding on the early adoption of Interpretations

Interpretations that merely interpret the requirements of existing Standards are often considered best practice and so would ordinarily be adopted at an entity's next reporting date, e.g. this might apply to Interpretation 14.

Other Interpretations that effectively introduce new recognition and measurement requirements not explicitly covered under existing Standards might not ordinarily be early adopted, particularly where they change established industry practice and/or require substantial effort to implement, e.g. Interpretation 12 dealing with service concession arrangements and Interpretation 13 dealing with customer loyalty programmes.

Accordingly, where an Interpretation is on issue but is not yet mandatory, entities should carefully consider the requirements of each Interpretation and its potential impacts when making a decision whether early adoption is appropriate.

## Do the annual disclosures extend to pronouncements issued by the IASB/IFRIC where an equivalent Australian pronouncement has not been made by the AASB at the date of signing the financial report?

Yes.

Although not technically required by paragraph 30 of AASB 108, for-profit entities should consider disclosing the information required by that paragraph (where material) in relation to a Standard or Interpretation issued by the IASB/IFRIC where an equivalent Australian Standard or Interpretation has not been made by the AASB at the date of signing the financial report. This approach ensures that the entity can make an unreserved statement of compliance with IFRS as required by paragraph 14 of AASB 101 *Presentation of Financial Statements*.

### Example disclosures

The following wording, amended from the wording in our illustrative annual reports, may be adapted in these circumstances:

*'At the date of authorisation of the financial report, the following Standards and Interpretations, including those Standards or Interpretations issued by the IASB/IFRIC where an equivalent Australian Standard or Interpretation has not been made by the AASB, were on issue but not yet effective:'*

Where this wording is utilised, the relevant IASB/IFRIC Standards and Interpretations should be cited by their IASB or IFRIC references and names, e.g. IFRS X, IFRS Y, etc. Any Standards and Interpretations already issued by the AASB should be cited by their Australian references and names.