

## What's new in financial reporting for December 2007?

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 31 December 2007. 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 December reporting close process. The information below was last updated on 11 January 2008 for developments to that date - we will update this page if any significant developments occur in the period to 31 March 2008.

### What are the big picture issues for December 2007?

The key considerations for December 2007 include:

- the impact of the new disclosure requirements in **AASB 7 *Financial Instruments: Disclosures***, which must be mandatorily adopted for the first time by annual December 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. Further information on this can be found in our IAS Plus Newsletter *IFRS 7 Financial Instruments: Disclosures* (October 2005). Example disclosures can be found in our model annual financial reports, available on [www.deloitte.com.au](http://www.deloitte.com.au)
- 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 revised small/large proprietary company test. Further information on this can be found in Accounting alert 2007/11 and Accounting alert 2007/13
- 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 **IFRS Mark II** standards that are emerging should be considered, or left to a 'big bang' in 2009/10 – new/revised standards on segment reporting, borrowing costs, financial statement presentation, 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 December 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 director's 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 December 2007?**

The table below outlines the new and revised pronouncements that either are to be applied for the first time at 31 December 2007, or which may be early adopted.

In the majority of cases, the disclosure requirements of the pronouncements listed in the table 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 31 December 2007 to . . .	
		Annual reporting periods	Interim reporting periods
<b>New and revised IFRS-equivalent Standards</b>			
<p><b>AASB 101 <i>Presentation of Financial Statements</i> (revised October 2006)</b></p> <p>Removes Australian specific requirements from AASB 101, and incorporates amendments to the previous version of AASB 101 made 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	Mandatory
<p><b>AASB 101 <i>Presentation of Financial Statements</i> (revised September 2007), AASB 2007-8 <i>Amendments to Australian Accounting Standards arising from AASB 101</i></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 <i>Borrowing Costs</i> (revised), AASB 2007-6 <i>Amendments to Australian Accounting Standards arising from AASB 123</i></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
<p><b>AASB 7 <i>Financial Instruments: Disclosures</i>, AASB 2005-10 <i>Amendments to Australian Accounting Standards</i></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	Mandatory (for the annual reporting period, no specific disclosures required in interim financial reports)

What are the new and revised accounting pronouncements for December 2007? (continued)

New or revised requirement	Effective for annual reporting periods beginning/ending on or after	Applicability at 31 December 2007 to . . .	
		Annual reporting periods	Interim reporting periods
<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>	(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)	Mandatory (as guidance)
<b>New or revised domestic Standards</b>			
<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 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>	(ending) 30 September 2007	Mandatory (refer to Interpretations below)	Mandatory (refer to Interpretations below)
<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

## What are the new and revised accounting pronouncements for December 2007? (continued)

New or revised requirement	Effective for annual reporting periods beginning/ending on or after	Applicability at 31 December 2007 to . . .	
		Annual reporting periods	Interim reporting periods
<b>New Amending Standards</b> (where not related to other pronouncements listed in this table)			
<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	Optional	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	Optional	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	Optional	Mandatory
<p><b>AASB 2007-9 Amendments to Australian Accounting Standards arising from the Review of AAS 27, AAS 29 and AAS 31</b></p> <p>Relocates certain relevant requirements from AASs 27, 29 and 31, substantively unamended, into existing topic-based standards. This Standard also makes consequential amendments, arising from the short-term review of AASs 27, 29 and 31, to AASB 5, AASB 8, AASB 101 and AASB 114.</p>	(beginning) 1 July 2008	Optional	Optional
<p><b>AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101</b></p> <p>This Amending Standard changes the term 'general purpose financial report' to 'general purpose financial statements' and the term 'financial report' to 'financial statements', where relevant, in Australian Accounting Standards (including Interpretations) to better align with IFRS terminology.</p>	(beginning) 1 January 2009	Optional	Optional
<b>New and revised Interpretations</b>			
<p><b>Interpretation 7 Applying the Restatement Approach under AASB 129 'Financial Reporting in Hyperinflationary Economies'</b></p> <p>Equivalent to IFRIC 7 <i>Applying the Restatement Approach under IAS 29 'Financial Reporting in Hyperinflationary Economies'</i>. Not expected to be of widespread importance in the Australian context, but may affect some entities with foreign operations in certain jurisdictions.</p>	(beginning) 1 March 2006	Mandatory	Already implemented
<p><b>Interpretation 8 Scope of AASB 2</b></p> <p>Equivalent to IFRIC 8 <i>Scope of IFRS 2</i>. May impact some entities with operations in certain countries, particularly those entities affected by Black Economic Empowerment (BEE) transactions in South Africa.</p>	(beginning) 1 May 2006	Mandatory	Already implemented
<p><b>Interpretation 9 Reassessment of Embedded Derivatives</b></p> <p>Equivalent to IFRIC 9 of the same name. Prohibits an entity from reassessing whether an embedded derivative needs to be separated from the host contract after the initial hybrid contract is recognised unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required.</p>	(beginning) 1 June 2006	Mandatory	Already implemented

## What are the new and revised accounting pronouncements for December 2007? (continued)

New or revised requirement	Effective for annual reporting periods beginning/ending on or after	Applicability at 31 December 2007 to . . .	
		Annual reporting periods	Interim reporting periods
<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	Mandatory
<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	Optional	Mandatory
<p><b>Interpretation 12 <i>Service Concession Arrangements, Interpretation 4 <i>Determining whether an Arrangement contains a Lease (revised), Interpretation 129 <i>Service Concession Arrangements: Disclosure (revised), AASB 2007–2 Amendments to Australian Accounting Standards arising from AASB Interpretation 12</i></i></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	Optional
<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	Optional
<p><b>Interpretation 1003 <i>Australian Petroleum Resource Rent Tax</i></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	Optional	Mandatory (for annual reporting period)
<p><b>Interpretation 1038 <i>Contributions by Owners Made to Wholly-Owned Public Sector Entities (revised)</i></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. 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

New or revised requirement	Effective for annual reporting periods beginning/ending on or after	Applicability at 31 December 2007 to . . .	
		Annual reporting periods	Interim reporting periods
<b>Pronouncements approved by the IASB/IFRIC where an equivalent pronouncement has not been issued by the AASB</b>			
<p><b>IFRS 3 Business Combinations (revised), IAS 27 Consolidated and Separate Financial Statements (revised)</b></p> <p>Revised standards resulting from the joint IASB-FASB Business Combinations Phase II project, amending the manner in which business combinations and changes in ownership interests in subsidiaries are accounted for. There are also consequential amendments to other standards, most notably IAS 28 <i>Investments in Associates</i> and IAS 31 <i>Interests in Joint Ventures</i>.</p>	<p><b>IFRS 3</b> – (business combinations occurring after the beginning of annual reporting periods beginning) 1 July 2009</p> <p><b>IAS 27</b> – (beginning) 1 July 2009</p>	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>	Applies to financial years <i>beginning</i> on or after 30 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>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 or copies of 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.

Development	When effective
<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>	<p>The Act commences from the date on which it received Royal Assent (28 June 2007).</p>
<p><b>ASIC Class Order [CO 07/822] Variation of Class Order [CO 98/98]</b></p> <p>Class Order [CO 07/822] 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>	<p>Effective from 18 December 2007 (date of registration).</p>

**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)



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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 consolidated model financial reports.

## 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 half-year model financial reports.

### 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 (early adoption permitted). 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 consolidated model financial report, 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. IFRIC X, IFRS Y, etc. Any Standards and Interpretations already issued by the AASB should be cited by their Australian references and names.