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Differences between current Australian GAAP and Australian equivalents to IFRS

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Introduction

The Australian Accounting Standards Board (AASB) recently issued 40 new or revised Accounting Standards referred to as Australian equivalents to International Financial Reporting Standards (A-IFRS) applicable for all financial years beginning on or after 1 January 2005. These Standards reflect the 'stable platform' created by the International Accounting Standards Board (IASB) as at 31 March 2004 and early adoption of the Standards will not be permissible either on a piecemeal basis or in their entirety.

None of these standards are 100% compatible with existing Australian Accounting Standards and also differ from the corresponding IFRS for the following reasons:

- wording has been amended to accommodate the Australian legislative environment, for example, reference to the Corporations Act 2001 in the application paragraphs
- additional/amended requirements for not-for-profit entities
- in some cases the AASB has permitted only one of a number of options available in the corresponding IFRS
- additional disclosures.

There are a number of differences between these A-IFRS and current Australian GAAP. This publication outlines the major differences in relation to for-profit entities, excluding disclosure differences. Further amendments are still expected to the 'stable platform' and may be applicable in certain cases from 1 January 2005. Where an exposure draft has been issued the below comparison reflects these proposals. Refer also *Discussion Paper 2004-01 'An overview of Australian equivalents to International Financial Reporting Standards – a guide for boards and audit committees'* for further information and to assess whether an entity is prepared for the change.

Impact at 30 June 2004

Prior to the first financial reports prepared under A-IFRS, Australian entities must in accordance with AASB 1047 'Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards' disclose in annual and interim financial reports ending on or after:

- 30 June 2004:
 - an explanation of how the transition to A-IFRS is being managed
 - a narrative explanation of the key differences in accounting policies that are expected to arise from adopting A-IFRS.
- 30 June 2005:
 - any known or reliably estimable information about the impacts on the financial report had it been prepared using A-IFRS
 - if the impacts are not known, or reliably estimable, a statement to that effect.

It is expected that most entities will be able to provide a reliable quantification of the impact of adopting A-IFRS by June 2005 and will not need to take the 'impracticable' out available. Reliable estimation is considered impracticable only when it cannot be done after making every reasonable effort to do so.

The disclosure required above may result in entities being forced to bring forward work on A-IFRS where the above information cannot yet be determined. Therefore, entities should reassess their A-IFRS projects to ensure that information gathering and analysis necessary for the disclosures are appropriately planned and timed. Refer the Addendum to the Deloitte 2004 *Consolidated Model Financial Reports 'Disclosing the impacts of adopting Australian equivalents to International Financial Reporting Standards'* for an illustration of the disclosures required for the financial year end 30 June 2004 in accordance with AASB 1047.

Topic	Australian Equivalents to IFRS	Current Australian GAAP
1. Presentation of Financial Statements (AASB 101 & Superseded AASB 1001/1018/1034/1040)		
<i>Refer to Accounting Alert 2004/04 'International convergence update' for further details.</i>		
Financial statements required	Balance sheet Income statement Statement of changes in equity Cash flow statement	Similar statements required although referred to by different names, except that statement of changes in equity shown in the statement of financial performance (income statement).
Extraordinary items	Extraordinary items prohibited.	Extraordinary items arise from events that are clearly distinct from the ordinary activities of the company and therefore are not expected to recur frequently or regularly – examples given are the expropriation of assets or an earthquake or other natural disasters.
Liabilities classification – current/non-current	<p>Current liabilities include liabilities held primarily for the purpose of trading or where the entity does not have the unconditional right to defer settlement for at least 12 months after the balance sheet date, even if the original term was longer than 12 months and the liability is renegotiated after year end. However, where the entity has the discretion to refinance or rollover for at least 12 months under the terms of the existing loan facility, the loan is classified as non-current.</p> <p>Where an undertaking or covenant is in breach, and no period of grace has been provided at reporting date, generally the liability becomes payable on demand. The amount will be classified as current even where the lender has waived or otherwise dealt with the breach subsequent to the reporting period end.</p> <p>Where an undertaking or covenant is breached, and a period of grace has been provided at reporting date, the amount will only be classified as non-current where normally it is not due for settlement until at least 12 months after reporting date and at the time of signing the financial statements, either the breach has been rectified within the period of grace or the period of grace is incomplete and it is probable that the breach will be rectified.</p>	<p>Where current liabilities and non-current liabilities are presented separately:</p> <p>(a) long-term interest-bearing liabilities must continue to be categorised as non-current, even when they are due to be settled within twelve months of the reporting date, when all of the following conditions apply:</p> <ul style="list-style-type: none">the original term was for a period of more than twelve monthsthe entity is committed to an agreement to refinance, or to reschedule payments, prior to the time of completion of the financial report; or <p>(b) in the event that an undertaking, including a covenant included in a borrowing agreement, is breached such that the liability becomes payable on demand, the liability must be categorised as current unless all of the following conditions apply:</p> <ul style="list-style-type: none">the lender has agreed, prior to the time of completion of the financial report, not to demand payment as a consequence of the breachit is not probable that further breaches will occur within twelve months of the reporting date; and <p>in the absence of the breach, the liability would not have been due for settlement within twelve months of the reporting date.</p>
2. Inventories (AASB 102 & Superseded AASB 1019)		
<i>Refer to Accounting Alert 2004/04 'International convergence update' for further details.</i>		
	Compliance with superseded AASB 1019 will ensure compliance with AASB 102. Some minor scope and disclosure differences exist. In particular, AASB 102 excludes from its scope producers of agricultural and forest products, agricultural produce after harvest, and minerals and mineral products where inventories are measured at net realisable value in accordance with well-established practices in those industries and commodity broker-traders whose inventories are measured at fair value less cost to sell with changes recognised in the profit or loss.	
3. Cash Flow Statements (AASB 107 & Superseded AASB 1026)		
<i>Refer to Accounting Alert 2003/14 'International convergence update' for further details.</i>		
	Compliance with superseded AASB 1026 will ensure compliance with AASB 107, in most instances.	

Topic	Australian Equivalents to IFRS	Current Australian GAAP
4. Changes in Accounting Policies, Changes in Accounting Estimates and Errors (AASB 108 & Superseded AASB 1001)		
Changes in accounting policies	<p>A change in accounting policy should only be made if required by a Standard or Interpretation, or so as to give more reliable and relevant information about the effects of transactions, other events or conditions on the entity's financial statements.</p> <p>A change made on the basis of a new Standard should be accounted for in accordance with the transitional provisions specified in the Standard, or in the same manner as a voluntary change in accounting policy if no transitional provisions exist.</p> <p>All voluntary changes in accounting policies should be accounted for retrospectively by adjusting the opening balance of retained earnings of the earliest period presented and restating prior periods.</p> <p>If it is impracticable to determine the cumulative effect of applying the new accounting policy to all prior periods, the entity:</p> <ul style="list-style-type: none"> (a) applies the new accounting policy as far back as practicable (b) disregards the portion of the cumulative catch-up entry at the beginning of the current period that is impracticable to determine. 	<p>A change in an accounting policy must be made only when:</p> <ul style="list-style-type: none"> (a) it is necessary in order to comply with another Accounting Standard or an Urgent Issues Group Consensus View; or (b) no specific Accounting Standard applies and the change will result in an overall improvement in the relevance and reliability of financial information about the financial performance, financial position and cash flows of the entity; or (c) an Accounting Standard permits alternative accounting policies and the change from one permitted accounting policy to another permitted accounting policy will result in an overall improvement in the relevance and reliability of financial information about the financial performance, financial position and cash flows of the entity. <p>In the absence of transitional provisions of a new accounting standard or UIG, the retrospective effect of a change in accounting policy must be included in the current period's results and comparative information must not be restated. Detailed disclosure of the impact on comparative information is disclosed in the notes to the financial statements.</p>
Errors/fundamental errors	<p>There is no distinction between errors and fundamental errors. All material errors accounted for retrospectively, adjusting the opening balance of retained earnings of the earliest period reported. If it is impracticable to determine the cumulative amount of an error made in prior periods, the entity:</p> <ul style="list-style-type: none"> • makes the correction as far back as practicable • disregards the portion of the cumulative catch-up entry at the beginning of the current period that is impracticable to determine. 	<p>Distinction made between errors and fundamental errors and detailed disclosures in the notes to the financial statements of the impact on comparative information of fundamental errors. All errors must be corrected in the reporting period in which they are discovered unless the entity has amended and reissued the financial report relating to the prior reporting period.</p>
5. Events After the Balance Sheet Date (AASB 110 & Superseded AASB 1002)		
<i>Refer to Accounting Alert 2003/14 'International convergence update' for further details.</i>		
Post balance sheet events	Adjust for events that indicate that the going concern assumption in relation to the whole or part of the enterprise is not appropriate.	No adjustment is made if the event indicates that the entity ceases to be a going concern after the reporting date.
Dividends	Dividends declared before reporting date would not be recognised as liabilities if they are subject to approval by the shareholders after reporting date.	A liability must be recognised for dividends declared, determined, or publicly recommended on or before the reporting date.
6. Construction Contracts (AASB 111 & Superseded AASB 1009)		
<i>Refer to Accounting Alert 2004/04 'International convergence update' for further details.</i>		
	Compliance with superseded AASB 1009 will ensure compliance with AASB 111, in most instances.	

Topic	Australian Equivalents to IFRS	Current Australian GAAP
7. Income Taxes (AASB 112 & Superseded AASB 1020 (1989 and 1999 versions))		
Compliance with the 1999 version of superseded AASB 1020 will ensure compliance with AASB 112, other than some minor differences that exist. The 1999 version of superseded AASB 1020 is effective for financial years beginning on or after 1 January 2005. The following analysis is based on the 1989 version of superseded AASB 1020, which is still operative.		
Recognition – deferred tax liabilities	Balance Sheet Approach A deferred tax liability should be recognised for all taxable temporary differences other than temporary differences arising from: <ul style="list-style-type: none"> the initial recognition of goodwill goodwill for which amortisation is not deductible for tax purposes the initial recognition of an asset/liability which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit undistributed profits from investments in subsidiaries, branches, associates and joint ventures, where the entity is able to control the timing of the reversal of the difference and it is probable that the reversal will not occur in the foreseeable future. 	Income Statement Approach Full provision for all timing differences .
Recognition – deferred tax asset	A deferred tax asset should be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised other than temporary differences arising from: <ul style="list-style-type: none"> the initial recognition of an asset/liability which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit investments in subsidiaries, branches, associates and joint ventures where the temporary difference will not reverse in the foreseeable future. 	Realisation of a deferred tax benefit for all timing differences must be regarded as being assured beyond reasonable doubt.
Unused tax losses and unused tax credits	A deferred tax asset should be recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.	Realisation of the benefit must be virtually certain.
Measurement – deferred tax assets and liabilities	Deferred tax assets and liabilities should not be discounted and should be measured on the basis of how management expects, at the reporting date, that the carrying amount of an asset or liability will be recovered or settled.	No reference to discounting, although in practice deferred taxes were not discounted other than in relation to life insurance entities and sometimes in the case of deferred taxes arising in a business combination. Management expectations were not taken into account.
Measurement – impact of tax consolidation	Accounting for tax consolidation under A-IFRS has not been determined at the date of this publication. It appears likely that the requirements of forthcoming UIG Interpretation 1052 <i>Tax Consolidation Accounting</i> may be substantially different from the requirements in UIG Abstract 52 <i>Income Tax Accounting under the Tax Consolidation System</i> . It is possible that tax accounting will be required to be recognised by each member of a tax-consolidated group.	The impact of tax consolidation on deferred tax assets and liabilities is accounted for from implementation date, and only in relation to items that are treated as timing differences in accordance with the entity's accounting policies. Deferred taxes are measured by reference to the carrying amount of assets and liabilities at the level of the tax-consolidated group, and their respective tax bases.

Topic	Australian Equivalents to IFRS	Current Australian GAAP
Financial statement presentation	<p>Current and deferred tax should be recognised as income or an expense and included in net profit or loss for the period, except to the extent that the tax arises from:</p> <ul style="list-style-type: none">• a transaction or event which is recognised directly in equity• a business combination. <p>If the tax relates to items that are credited or charged directly to equity, the tax should also be charged or credited directly to equity.</p> <p>If the tax arises from a business combination, it should be recognised as an identifiable asset or liability at the date of acquisition.</p>	Not specifically addressed. Current and deferred taxes usually recognised in the income statement. Tax arising on the hedge of a net investment is however required to be recognised in the foreign currency translation reserve.
8. Segment Reporting (AASB 114 & Superseded AASB 1005)		
Refer to Accounting Alert 2004/04 'International convergence update' for further details.		
	Compliance with AASB 1005 will ensure compliance with AASB 114, although other differences between A-IFRS and current Australian GAAP may change the composition and/or identification of reportable segments. Note, AASB 114 applies to all general purpose financial reports.	
9. Property, Plant and Equipment (AASB 5 and 116 & Superseded AASB 1015, 1014, 1021 and 1041)		
Refer to Accounting Alerts 2004/04 'International convergence update' and 2004/08 'Non-current assets held for sale and discontinued operations' for further details.		
Initial measurement	<p>The cost of assets exchanged should be measured at fair value unless the:</p> <ul style="list-style-type: none">• exchange transaction lacks commercial substance; or• fair value of neither the assets received nor the asset given up is reliably measurable; <p>in which case its cost is measured at the carrying amount of the asset given up.</p> <p>Cost of an asset to include the cost of dismantling and removing an asset and restoring the site on which the asset was created. These costs may arise post initial measurement, however where incurred as a consequence of producing inventories, those costs should be included in the cost of inventories.</p> <p>Net proceeds from selling items produced in bringing the asset to that location (such as the sale of samples from testing equipment) would be deducted from the capitalised cost of the asset. However, revenue and expenses incidental to construction or development, but not necessary to bring the asset to its required location or working condition, would be separately recognised in net profit or loss.</p>	<p>No relief is provided from the acquisition rules in accounting for the exchange of assets that are not goods and services – the acquired asset is to be recorded at the fair value of the asset given up.</p> <p>Not specifically addressed, general practice has been to record the liability over the life of use but not to impact the carrying value of the asset. (Excluded from scope of superseded AASB 1044.)</p> <p>AASBs are silent on how to account for net proceeds from selling items produced in bringing the asset to that location, or revenues and expenses incidental to construction or development, but not necessary to bring the asset to its required location or working condition.</p>
Subsequent remeasurement	<p>Option to measure either at cost less accumulated depreciation and impairment losses or at fair value at the date of valuation less subsequent depreciation.</p> <p>Assets held for sale</p> <p>Non-current assets held for sale are required to be measured at the lower of carrying amount and fair value less costs to sell.</p>	<p>Similar in that entities can choose between the cost and fair value bases of measurement. However, AASB 116 does not permit an asset to be carried at deemed cost, being the previous revalued amount, where the entity reverts from the fair value to the cost basis, except on first-time adoption.</p> <p>There are no specific requirements in Australia regarding assets held for sale.</p>

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Topic	Australian Equivalents to IFRS	Current Australian GAAP
Treatment of revaluation movement	<p>Where a revaluation gives rise to a value uplift, it should be credited to the revaluation surplus (equity) unless it represents the reversal of a revaluation decrease of the same asset previously recognised as an expense, in which case it should be recognised as income.</p> <p>A decrease arising as a result of a revaluation should be recognised as an expense in so far as it exceeds the amount that can be charged to the revaluation surplus (i.e. the amount held in the revaluation surplus relating to the same asset).</p> <p>An impairment write-down should be recognised as an expense in so far as it exceeds the amount held in the revaluation surplus relating to the same asset.</p> <p>Asset held for sale</p> <p>A revaluation is required immediately before classification as held for sale for any asset carried at revalued amounts.</p> <p>Any subsequent write-down is recognised in net profit.</p>	<p>Similar except that movements can be offset within a class and only the net amount recognised in the revaluation surplus or the statement of financial performance, as appropriate. The reversal of a decrease previously recognised as an expense in respect of the same class of asset is recognised as income.</p> <p>Similar except that a charge to income will only arise to the extent that the write-down exceeds the balance of the revaluation reserve in respect of the same class of assets.</p>
Treatment of accumulated depreciation at revaluation date	<p>On revaluation, any accumulated depreciation is either:</p> <ul style="list-style-type: none"> restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount after revaluation equals its revalued amount; or eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset. 	<p>On revaluation, any accumulated depreciation must be eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset, except where an entity revalues assets by reference to current prices for assets newer than those being revalued in which case it may restate separately the gross amounts and related accumulated depreciation.</p>
Residual value	<p>Residual value is reviewed at each balance date and is based on the current net amount expected from the disposal of the asset as if it were already at the age and condition expected at the end of its useful life.</p>	<p>Residual value is estimated at the date of acquisition and is not subsequently increased for changes in prices, unless the asset is revalued.</p>

10. Leases (AASB 117 & Superseded AASB 1008)

Refer to Accounting Alert 2004/04 'International convergence update' for further details.

Accounting treatment in the financial statements of lessees – finance leases (or equivalent)	<p>Record an asset and a liability at the lower of:</p> <ul style="list-style-type: none"> the fair value of the asset the present value of the minimum lease payments. 	<p>Record an asset and a liability equal in amount to the present value of the minimum lease payments.</p>
Operating lease expense recognition	<p>Operating lease payments should be recognised as an expense/revenue on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefits.</p>	<p>Similar except that the systematic basis of allocation is not limited to a time basis.</p>
Lessor accounting for lease incentives	<p>The lessor should recognise the aggregate cost of incentives as a reduction of rental income over the lease term on a straight-line basis unless another systematic basis is more representative of the time pattern of the benefit.</p>	<p>The UIG was not able to reach consensus on this issue and under generally accepted practice certain incentives are capitalised by lessors.</p>
Operating leases of investment property	<p>A property interest held under an operating lease can be classified as investment property provided that the rest of the definition of investment property is met and the lessee uses the fair value model in AASB 140 to account for the interest.</p>	<p>Accounted for as operating leases with lease payments recognised as an expense over the lease term based on the pattern of benefit.</p>

Topic	Australian Equivalents to IFRS	Current Australian GAAP
11. Revenue (AASB 118 & Superseded AASB 1004)		
<i>Refer to Accounting Alerts 2004/16 'Pending Standards for Revenue, Government Grants and Contributions' for further details.</i>		
Recognition criteria	Based on transfer of risks and rewards of ownership.	Based on the transfer of control.
Disposal of non-current assets	Net gain recognised as a component of income.	Proceeds from disposal recognised as a component of revenue.
12. Employee Benefits (AASB 119 & Superseded AASB 1028)		
<i>Refer to Accounting Alerts 2004/04 'International convergence update' and 2004/10 'Proposed Amendments to AASB 119 'Employee Benefits' for further details.</i>		
Defined benefit plans	Defined benefit plans are recognised at the present value of the defined benefit obligation less the fair value of any plan assets, adjusted for unrecognised past service costs. ¹	There is currently no Australian accounting standard that deals with accounting for retirement benefits and an expense is generally brought to account as contributions are paid to the fund, unless the entity has a legal, constructive or equitable obligation to fund the short fall.
Discounting of non-current employee benefits	High quality corporate bond rate used to discount non-current employee benefits except where no deep market exists where government bond rates are then used instead. The AASB has stated that Australia currently does not have a sufficiently active and liquid market for a high quality corporate bond rate to exist. All non-current employee benefits measured on a discounted basis. Increase in present value because employee benefit liability is one period closer to settlement is to be treated as an interest cost where the increase qualifies for capitalisation as interest into the cost of an asset.	National government guaranteed security rates used to discount non-current employee benefits. Salaries and wages, annual leave and sick leave, regardless of whether they are current or non-current, to be measured at nominal amounts. Interest component is not required to be separated for capitalisation into qualifying assets.
13. Accounting for Government Grants and Disclosure of Government Assistance (AASB 120 & Superseded UIG 11)		
<i>Refer to Accounting Alerts 2004/16 'Pending Standards for Revenue, Government Grants and Contributions' for further details.</i>		
Criteria for recognition	Government grants should not be recognised until there is reasonable assurance that: <ul style="list-style-type: none"> the enterprise will comply with the conditions attaching; and the grants will be received. 	No standard dealing specifically with government grants. Standards dealing with contributions state that non-reciprocal contributions should be recognised when the enterprise obtains control.
Income recognition	Recognise as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis – not to be credited directly to equity.	Recognise non-reciprocal contributions as assets and revenue in the period in which control is obtained.
14. The Effects of Changes in Foreign Exchange Rates (AASB 121 & Superseded AASB 1012 and 1034)		
<i>Refer to Accounting Alert 2003/14 'International convergence update' for further details.</i>		
Reporting currency	Financial statements may be presented in any currency, but if the Australian currency is not used, disclosure must be provided as to why another presentation currency has been chosen. Where the presentation currency differs from the functional currency, that is the currency of the primary economic environment in which the entity operates, any translation difference is recognised directly in equity.	Australian companies are required to present their financial statements in Australian dollars.

¹ The AASB is proposing to extend the provisions relating to multi-employer defined benefit plans to a group of entities under common control in their individual financial statements where specific criteria are met.

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Exchange differences dealt with in reserves	Differences arising on a monetary item that, in substance, forms part of an investment in a foreign enterprise (settlement neither planned nor likely to occur) should be dealt with in reserves until the disposal of the net investment, at which time they should be recognised as income/expense. Differences arising on a foreign currency liability, accounted for as a hedge of an enterprise's net investment in a foreign entity, should be dealt with in reserves until the disposal of the investment, at which time they should be recognised as income/expense.	Similar but differences recognised in reserves cannot be recognised in income/expense on disposal of the investment.
15. Borrowing Costs (AASB 123 & Superseded AASB 1036)		
	Compliance with superseded AASB 1036 will ensure compliance with AASB 123, in most instances. However, the benchmark treatment under AASB 123 permits the immediate recognition of all borrowing costs as an expense, which is not permitted under superseded AASB 1036 insofar as borrowing costs relate to qualifying assets and exchange differences arising from foreign currency borrowings may not always qualify as borrowing costs.	
16. Related Party Disclosures (AASB 124 and AASB 1046 & Superseded AASB 1017)		
Refer to Accounting Alert 2004/13 'Pending AASB 124 'Related Party Disclosures' for further details.		
	Definitions of related parties between superseded AASB 1017 and AASB 1046 and AASB 124 differ, with AASB 124 written in more general terms.	
17. Consolidated and Separate Financial Statements (AASB 127 & Superseded AASB 1024)		
Accounting year-ends	The difference between the dates of financial statements used for consolidation purposes should not exceed three months. If they are drawn up to different dates, adjustments should be made for the effects of significant transactions or other events that occur between those dates and the date of the parent's financial statements.	Consolidated financial statements are to incorporate financial statements of subsidiaries for the same financial year as the parent's financial statements. This may necessitate the preparation of interim financial information for the subsidiary.
Presentation of minority interests	Where losses applicable to the minority exceed its interest in the equity, the excess and any further losses attributable to the minority are charged to the group except to the extent that the minority has a binding obligation to, and is able to, make good the losses. If the subsidiary subsequently makes profits, the group is allocated all such profits until the minority's share of losses previously absorbed by the group has been recovered.	Losses are attributable to the minority in full unless the parent entity agrees to bear the responsibility for outgoings resulting from accumulated losses.
Treatment in parent's financial statements	Investments in subsidiaries that are included in the consolidated financial statements should be included in the parent's own financial statements either: <ul style="list-style-type: none">• at cost; or• in accordance with AASB 139.	Usually carried at cost, although revaluation is permitted.
18. Investments in Associates (AASB 128 & Superseded AASB 1016)		
Refer to Accounting Alert 2004/06 'International convergence update (including impacts on 30 June 2004 reports)' for further details.		
Accounting year-ends	Where it is not possible to obtain financial statements to the same date as the investor, the most recent available financial statements of the associate should be used in applying the equity method, and adjustments made for the effects of any significant events occurring between the accounting period ends. The difference between the reporting date of the associate and investor limited to three months.	Similar except that there is no time limit on the difference between reporting dates, and significant events occurring between the accounting period ends will be disclosed in a note rather than being adjusted in the financial statements.

Topic	Australian Equivalents to IFRS	Current Australian GAAP
Treatment in parent financial statements	<p>Where the investor issues consolidated financial statements, in the investor's separate financial statements, associates other than those acquired and held exclusively with a view to disposal in the near future, should be either carried at cost, or accounted for in accordance with AASB 139.</p> <p>Where the investor does not issue consolidated financial statements, in the investor's separate financial statements, associates must be equity accounted unless acquired and held with a view to disposal or where held by an investor whose owners do not object to the equity method not being applied, whose debt or equity instruments are not publicly traded and are not in the process of being issued into a public market, and the ultimate Australian parent or any intermediate parent prepares and lodges consolidated financial reports in accordance with A-IFRS.</p>	<p>Where the investor issues consolidated financial statements, in the investor's separate financial statements, associates should be accounted for at cost.</p> <p>Where the investor does not issue consolidated financial statements, in the investor's separate financial statements, associates should be accounted for using the equity method.</p>
Carrying amount of investment in an associate	Amount to reduce to nil when an associate incurs losses includes other long-term interests that, in substance, form part of the investor's net investment in the associate.	The carrying amount of an investment in an associate must only include ordinary shares and other financial instruments which satisfy the characteristics of an ownership interest.
19. Financial Reporting in Hyperinflationary Economies (AASB 129 & Superseded AASB 1012)		
Refer to Accounting Alert 2004/04 'International convergence update' for further details.		
	Compliance with superseded AASB 1012 will ensure compliance with AASB 129 in relation to the translation of self-sustaining foreign operations, which report to the parent entity in the currency of a hyperinflationary economy. Unlike AASB 129, superseded AASB 1012 does not deal with the primary financial statements of an entity in a hyperinflationary economy however these requirements are not currently applicable in the Australian context as Australia is not a hyperinflationary economy.	
20. Disclosures in the Financial Statements of Banks and Similar Financial Institutions (AASB 130 & Superseded AASB 1032)		
Refer to Accounting Alert 2004/04 'International convergence update' for further details.		
	Compliance with superseded AASB 1032 will ensure compliance with AASB 130, except with respect to the disclosure of the profit/loss impact of hedges and certain in-substance defeasances where no offsetting is allowed under AASB 130.	
21. Interests in Joint Ventures (AASB 131 & Superseded AASB 1006)		
Held exclusively with view of disposal	Non-current assets held for sale are required to be measured at the lower of carrying amount and fair value less costs to sell.	Excluded from the definition of a joint venture and are accounted for either at cost, fair value or net market value (in accordance with AASB 1030).
Reduction of carrying amount for equity accounting	Amount to reduce to nil when an equity accounted joint venture incurs losses includes other long-term interests that, in substance, form part of the investor's net investment in the joint venture, e.g. long-term loans to joint ventures.	Long-term loans cannot be reduced for losses of equity accounted joint ventures.

Topic	Australian Equivalents to IFRS	Current Australian GAAP
Parent entity financial statements	<p>Where consolidated financial reports are prepared, investments in jointly controlled entities (not held for sale) included in the consolidated financial statements should be measured in the investors own financial statements either:</p> <ul style="list-style-type: none"> • at cost; or • in accordance with AASB 139. <p>Where the investor does not issue consolidated financial statements, in the investor's separate financial statements, jointly controlled entities must be equity accounted unless acquired and held with a view to disposal or where held by an investor whose owners do not object to the equity method not being applied, whose debt or equity instruments are not publicly traded and are not in the process of being issued into a public market, and the ultimate Australian parent or any intermediate parent prepares and lodges consolidated financial reports in accordance with A-IFRS.</p>	Where consolidated financial reports are prepared, investments in joint venture entities must be measured at cost in the parent's financial statements.
22. Financial Instruments: Presentation and Disclosure (AASB 132 & Superseded AASB 1033)		
<i>Refer to Accounting Alert 2004/02 'Financial instruments: disclosure and presentation' for further details.</i>		
	<p>Compliance with superseded AASB 1033 will ensure compliance with AASB 132, except under AASB 132:</p> <ul style="list-style-type: none"> • the only option for the measurement of the liability and equity elements of a compound financial instrument is that the liability element must be determined first and the residual is equity; and • the classification of financial instruments varies slightly, for example, units in unit trusts and certain resetting preference shares will be classified as financial liabilities. 	
23. Earnings Per Share (AASB 133 & Superseded AASB 1027)		
<i>Refer to Accounting Alert 2004/04 'International convergence update' for further details.</i>		
	<p>Compliance with superseded AASB 1027 will ensure compliance with AASB 133 except that:</p> <ul style="list-style-type: none"> • superseded AASB 1027 specifically states that potential ordinary shares for which conversion to, calling of, or subscription for, ordinary share capital is mandatory, or at the option of the entity and based on conditions at reporting date it is probable that the entity will successfully exercise its option at some time in the future, are always considered dilutive. • AASB 133 specifies that: <ul style="list-style-type: none"> – ordinary shares that will be issued upon the conversion of mandatorily convertible instruments should be included in the calculation of basic EPS – for contracts that may be settled either in ordinary shares or in cash, at the issuer's option, it should be presumed that the contract will be settled in ordinary shares and the resulting potential ordinary shares should be included in the calculation of diluted EPS – for contracts that may be settled either in ordinary shares or in cash, at the holder's option, the more dilutive of cash settlement and share settlement should be used in calculating diluted EPS – gains/losses on the settlement of preference shares to be deducted from earnings used in the EPS calculation. <p>In addition, EPS must now be disclosed by all listed disclosing entities, not just companies, and reporting entities in the process of listing. For example, listed managed investment schemes will now be caught by these requirements.</p>	
24. Interim Financial Statements (AASB 134 & Superseded AASB 1029)		
Content	Where the entity is an economic entity, the interim financial report must include parent and consolidated financial statements.	Where the entity is an economic entity, the interim financial report must include consolidated financial statements.

Topic	Australian Equivalents to IFRS	Current Australian GAAP
25. Impairment of Assets (AASB 136 & Superseded AASB 1010)		
<i>Refer to Accounting Alert 2004/07 'IASB issues standards on business combinations, intangibles and impairment' for further details.</i>		
Definition of recoverable amount	Recoverable amount is the higher of the asset's 'fair value less costs to sell' and 'value in use' (determined on a discounted basis).	Recoverable amount is defined as the net amount that is expected to be recovered through cash inflows and outflows from the continued use and subsequent disposal of an asset. The cash flows may be discounted or undiscounted.
Impairment test	Detailed guidance provided for calculating the impairment of an asset particularly when such assessment has to be done by cash generating unit rather than individual asset.	No such guidance provided.
Reversal of impairment losses	Prior impairment losses are required to be reversed in some circumstances where they result from a change in estimates used to determine the assets recoverable amount. However, impairment losses for goodwill can never be reversed.	The reversal of impairment losses is not specifically addressed except for the prohibition of goodwill impairment loss reversals.
26. Provisions, Contingent Liabilities and Contingent Assets (AASB 137 & Superseded AASB 1044)		
Provisions associated with long-lived assets	Provisions associated with the retirement or disposal of long-lived assets should be recognised in accordance with the same principles as other provisions. However, such provisions may qualify for capitalisation into the cost of the related asset.	No specific guidance provided.
Recognition of restructure provision in relation to the sale of an operation	Where an operation is to be sold, a demonstrable commitment for the restructure arises when there is a binding sale agreement.	Under generally accepted practice a demonstrable commitment can exist before a binding sale agreement has been entered into provided that the entity has a detailed formal plan and is without realistic possibility of withdrawal, by having raised a valid expectation in those affected.
Expected recovery of costs relating to provisions	Recognised as assets when it is virtually certain that they will be received.	Recoveries of costs related to provisions are recognised when it is probable that they will be received.
Contingent assets	Contingent assets and recoveries against provisions can only be recognised when their realisation is virtually certain.	Criteria for recognition is based on probable realisation.
27. Intangible Assets (AASB 138 & Superseded AASB 1011)		
<i>Refer to Accounting Alert 2004/07 'IASB issues standards on business combinations, intangibles and impairment' for further details.</i>		
Internally generated intangibles	Internally generated goodwill, brands, mastheads, publishing titles, customer lists and similar items may not be recognised as assets.	Internally generated goodwill cannot be recognised as an asset, however there is no such prohibition under current Australian GAAP for the recognition of other types of internally generated intangibles as assets.
Recognition of research costs	Should be expensed when incurred and must not be subsequently recognised as an asset.	May be deferred where expected beyond reasonable doubt to be recoverable.
Revaluation	Revaluation only permitted if there is an active market.	Revaluation to fair value allowed provided that it is reliably determinable.
Amortisation	Intangible assets with indefinite useful lives are not amortised but are instead subject to an annual impairment test. Intangible assets with finite useful lives to be amortised over useful life. Residual value is assumed to be zero unless there is a commitment by a third party to purchase the asset or there is an active market for the asset.	No specific guidance on intangibles. Intangibles subject to similar impairment tests as other non-current assets. No restrictions placed on the estimation of residual value.

Topic	Australian Equivalents to IFRS	Current Australian GAAP															
28. Financial Instruments: Recognition and Measurement (AASB 139 & Superseded AASB 1012 and 1014, UIG 33)																	
<i>Refer to Accounting Alerts 2004/03 'Financial instruments: recognition and measurement' and 2004/11 'Financial instruments update' for further details.</i>																	
Financial assets – recognition	Requirement to recognise all financial assets and financial liabilities on balance sheet, including derivatives.	No specific guidance provided.															
Financial assets – measurement	<p>Measurement and recognition of changes in the value of financial assets will depend on the specified classification of the financial asset. Financial assets will be classified as one of the following four categories:</p> <table border="1"> <thead> <tr> <th>Classification</th><th>Measurement</th><th>Changes in value</th></tr> </thead> <tbody> <tr> <td>Asset available for sale</td><td>Fair value</td><td>Equity until realised, unless impaired</td></tr> <tr> <td>Loans or receivables</td><td>Amortised cost, subject to impairment</td><td>Profit and loss</td></tr> <tr> <td>Held to maturity</td><td>Amortised cost, subject to impairment</td><td>Profit and loss</td></tr> <tr> <td>Financial assets at fair value through profit or loss²</td><td>Fair value</td><td>Profit and loss</td></tr> </tbody> </table> <p>Derivatives (including embedded derivatives) are always classified as a financial instrument at fair value through profit or loss with changes in fair value recognised in net profit unless specified hedging criteria are met.</p> <p>Fair value is not required if the financial asset does not have a quoted market price in an active market and its fair value cannot be reliably determined. The standard provides guidance when the fair value of a financial instrument can be reliably measured.</p> <p>Specific criteria exist as to when it is acceptable to classify investments as held to maturity.</p>	Classification	Measurement	Changes in value	Asset available for sale	Fair value	Equity until realised, unless impaired	Loans or receivables	Amortised cost, subject to impairment	Profit and loss	Held to maturity	Amortised cost, subject to impairment	Profit and loss	Financial assets at fair value through profit or loss ²	Fair value	Profit and loss	No specific guidance. Financial assets are generally not carried at fair value unless they are trading assets or are non-current assets being revalued through the asset revaluation reserve. Where revalued assets are sold, the asset revaluation reserve is not recognised in current profit or loss but may be transferred to retained earnings.
Classification	Measurement	Changes in value															
Asset available for sale	Fair value	Equity until realised, unless impaired															
Loans or receivables	Amortised cost, subject to impairment	Profit and loss															
Held to maturity	Amortised cost, subject to impairment	Profit and loss															
Financial assets at fair value through profit or loss ²	Fair value	Profit and loss															

² The AASB is proposing to limit the current ability to designate any financial asset at fair value through profit or loss to five specific situations where the fair value is verifiable.

Topic	Australian Equivalents to IFRS	Current Australian GAAP
Financial assets – derecognition	<p>A financial asset, or portion of a financial asset, should be derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the entity has transferred the financial asset and the transfer qualifies for derecognition. An entity has transferred a financial asset if, and only if, it either:</p> <ul style="list-style-type: none"> retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay those cash flows to one or more recipients in an arrangement that meets three specified conditions; or transfers the contractual rights to receive the cash flows of a financial asset. <p>If an entity has transferred a financial asset, it assesses whether it has transferred substantially all the risks and rewards of ownership of the transferred asset. If an entity has retained substantially all such risks and rewards, it continues to recognise the transferred asset. If it has transferred substantially all such risks and rewards, it derecognises the transferred asset.</p> <p>If an entity has neither transferred nor retained substantially all the risks and rewards of ownership of the transferred asset, it assesses whether it has retained control over the transferred asset. If it has retained control, the entity continues to recognise the transferred asset to the extent of its continuing involvement in the transferred asset. If it has not retained control, the entity derecognises the transferred asset.</p> <p>If an enterprise transfers a part of a financial asset to another party while retaining the remainder, the carrying amount of the financial asset should be allocated between the part retained and the part sold based on their relative fair values at the date of sale.</p> <p>If on transfer of all or a portion of a financial asset, a right to service is retained for a fee, a servicing asset or liability should be recognised.</p> <p>On derecognition, the profit or loss on disposal, is the difference between:</p> <ol style="list-style-type: none"> the carrying amount of the asset (or portion of the asset), and the sum of the proceeds (including any new asset obtained less any new liability assumed) and any prior adjustment to fair value previously dealt with in equity. <p>Transfers that do not qualify for derecognition should be accounted for as collateralised borrowings.</p>	No specific guidance provided.
Financial liabilities – measurement	<p>Measure liabilities that are held for trading at fair value with changes in the fair value recognised through the profit and loss. Derivatives are deemed to be held for trading unless they qualify as hedging instruments.</p> <p>All other financial liabilities are recognised at amortised cost.</p> <p>Any financial liability can be designated as fair value through profit or loss on initial recognition and measured at fair value.³</p>	No specific guidance. Liabilities usually recognised at amortised cost.

³ The AASB is proposing to limit the current ability to designate any financial liability at fair value through profit or loss to five specific situations where the fair value is verifiable.

Differences between current Australian GAAP and Australian equivalents to IFRS

Topic	Australian Equivalents to IFRS	Current Australian GAAP
Financial liabilities – derecognition	<p>Liabilities may only be derecognised when extinguished. In-substance defeasance is not permitted.</p> <p>The difference between the carrying amount of a liability (or part of a liability) extinguished or transferred to another party, including related unamortised costs, and the amount paid for it should be included in net profit or loss for the period.</p> <p>If an enterprise transfers a part of a financial liability to others while retaining a part, or if an enterprise transfers an entire financial liability and in doing so creates a new financial asset or assumes a new financial liability, the enterprise should account for the transaction in a similar manner to the derecognition of part of a financial asset or where derecognition is coupled with a new financial asset or liability.</p>	<p>Similar but also allows in-substance defeasance to be treated as extinguishment if certain conditions are met.</p>
Hedging instruments and hedge accounting	<p>The use of derivatives as hedging instruments is not restricted, except for some written options. However non-derivative financial instruments can only hedge foreign exchange risk. There are three types of hedge relationships:</p> <ul style="list-style-type: none"> • fair value hedge – A hedge of exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, that is attributable to a particular risk and that could affect reported net income. Gain or loss from the hedging instrument is recognised in profit or loss, with changes in the fair value of the hedge item relating to the hedged risk recognised in the profit or loss, even if normally measured at cost or unrecognised. Any ineffectiveness is automatically recognised in the profit or loss • cash flow hedge – A hedge of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction, and will affect reported net income – report the change in fair value that is determined to be an effective hedge in equity, then recycle to the income statement when the hedged item affects net income. The ineffective portion of the hedge is to be taken to net profit immediately • hedge of net investment – Similar accounting to cash flow hedges. 	<p>Foreign currency hedges of forecasted transactions carried at current spot rate with exchange differences and costs or gains on entering the hedge deferred as an asset or liability until the transaction occurs.</p> <p>Foreign currency hedges of recognised assets and liabilities carried at current spot rate with exchange differences recognised in profit or loss immediately and hedge costs/gains amortised over the period of the hedge.</p> <p>No guidance on other hedge contracts which are usually accounted for on a cost and settlement basis.</p> <p>Hedge of net investment similar, except no requirement to account for any ineffectiveness separately.</p>
Effectiveness of hedge	<p>The effectiveness of the hedge must be reliably measurable. The hedge is required to be highly effective with guidance indicating that there should be an expectation that the hedge will be highly effective in offsetting changes in fair values or cash flows attributable to the hedged risk, with actual results within a range of 80 to 125%.</p> <p>The hedge is required to be assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting period.</p>	<p>No specification of how effective the hedge has to be.</p> <p>At the inception of the hedge and during the term of the hedging instrument, it is <i>expected</i> that the hedge will be effective in reducing exposure to the risks intended to be hedged. There is no requirement to actually measure or determine that effectiveness.</p>

Topic	Australian Equivalents to IFRS	Current Australian GAAP
Embedded derivatives	<p>An embedded derivative should be separated from the host contract and accounted for as a derivative if all of the following conditions are met:</p> <ul style="list-style-type: none"> (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (c) the hybrid (combined) instrument is not measured at fair value with changes in fair value reported in net profit or loss. 	No specific guidance. Embedded derivatives are generally not separated from the host contract.
Hedged items	<p>A held to maturity investment (as opposed to an originated loan or receivable) cannot be designated as a hedged item with respect to interest rate risk or prepayment risk.</p> <p>If the hedged item is a financial asset or liability, it may be designated as a hedge item only in relation to those risks where effectiveness can be measured.</p> <p>If the hedged item is a non-financial asset or liability, it may be designated as a hedge item only for foreign currency risk or in its entirety because of the difficulty of isolating risks.</p> <p>An entity can use fair value hedge accounting of interest rate risk for a portfolio of assets and/or liabilities provided certain criteria are met.</p>	<p>No specific exclusion.</p> <p>No specific requirement for effectiveness to be measured.</p> <p>No specific exclusion.</p> <p>Not specifically addressed.</p>
Hedge documentation	At the inception of the hedge there is formal documentation of the hedging relationship and the enterprise's risk management objective and strategy for undertaking the hedge. That documentation should include identification of the hedging instrument, the related hedged item or transaction, the nature of the risk being hedged, and how the enterprise will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or the hedged transaction's cash flows that is attributable to the hedged risk.	The hedging relationship is required to be designated prospectively, specifically identifying the hedging instrument as well as the hedged anticipated purchases or sales – the characteristics of the hedged purchases or sales must be designated with sufficient specificity so that when a purchase or sale occurs it is clear whether that transaction is or is not a hedged purchase or sale.
Trade verses settlement date	<p>A contract for the purchase or sale of financial assets that requires delivery of the assets within the time frame generally established by regulation or convention in the market place concerned (sometimes called a 'regular way' contract) is a financial instrument. A 'regular way' purchase or sale of financial assets should be recognised using trade date accounting or settlement date accounting.</p> <p>When settlement date accounting is applied, an enterprise will account for any change in the fair value of the asset to be received during the period between the trade date and the settlement date in the same way as it will account for the acquired asset i.e. trade, available for sale or held to maturity.</p>	No corresponding guidance and practice may vary.

Topic	Australian Equivalents to IFRS	Current Australian GAAP
29. Investment Property (AASB 140)		
<i>Refer to Accounting Alert 2004/06 'International convergence update (including impacts on 30 June 2004 reports)' for further details.</i>		
	AASB 140 permits the use of the cost (including subsequent depreciation and impairment) or fair value model for accounting for investment property. If the fair value model is adopted changes in the fair value are taken through the income statement and not the revaluation reserve.	No corresponding guidance and practice is varied. Where the fair value model is adopted, changes in fair value are taken through the asset revaluation reserve.
30. Self-Generating and Regenerating Assets (Agriculture) (AASB 141 & Superseded AASB 1037)		
<i>Refer to Accounting Alert 2004/04 'International convergence update' for further details.</i>		
	Superseded AASB 1037 and AASB 141 are similar, however AASB 141 has a narrower scope and includes guidance with respect to government grants, operating leases of agricultural assets and fair value which may vary from the treatments for these items under superseded AASB 1037.	
31. Share-based Payments (AASB 2 & AASB 1046⁴)		
<i>Refer to IAS Plus Newsletter 'IASB publishes IFRS 2 share-based payment' and the publication 'Share-based Payment: A Guide to IFR 2', available from www.iaplus.com, for further details.</i>		
Scope	Applicable to all share-based payments.	Only applicable to share-based payments relating to directors and executives of disclosing entities.
Recognition	Recognise fair value of share options as an expense over vesting period, based on fair value at grant date.	Disclosure only model for share-based payments. Amount included in directors and executives remuneration based on fair value at grant date amortised over vesting period.
Measurement – equity-settled share-based payments	Distinction between market and non-market based performance conditions. For equity-settled share-based payments with no or non-market based performance conditions, a 'true-up' model is used whereby the total amount expensed is adjusted based on actual number of equity instruments that have vested. Reversal of prior period expense (credit) is recognised where equity instruments do not vest due to a failure to meet a non-market based performance or service condition.	No distinction made between market and non-market based performance conditions for equity-settled share-based payments. 'True-up' model not adopted.
Measurement – cash-settled share-based payments	Based on fair value of liability at each reporting date with changes in value included in the income statement.	Based on fair value of liability at reporting date with changes in value included in remuneration until grant is settled. However, no reversal of prior period expense (credit) included in disclosure of remuneration.
32. Business Combinations (AASB 3 & Various superseded AASBs)		
<i>Refer to Accounting Alert 2004/07 'IASB issues standards on business combinations, intangibles and impairment' for further details.</i>		
Scope	Business combinations of entities under common control to be treated using the purchase method, unless a reconstruction within a reporting entity that does not prepare financial reports under the <i>Corporations Act 2001</i> . AASB 3 does not apply to the creation of joint ventures, business combinations involving mutual entities and business combinations in which separate entities or businesses are brought together to form a reporting entity by contract only, e.g. formation of dual listed entities. ⁵	No relief provided for group restructures, unless a reconstruction within a reporting entity that does not prepare financial reports under the <i>Corporations Act 2001</i> .

⁴ AASB 1046 'Director and Executive Disclosures by Disclosing Entities' will continue to exist as part of the suite of accounting standards including A-IFRS. However, it is expected that the AASB will reconsider the Standard following the issue of AASB 2 'Share-based Payment' and AASB 119 'Employee Benefits'.

⁵ The AASB is proposing to extend the scope to include combinations involving mutual entities or combinations in which separate entities are brought together by contract alone.

Topic	Australian Equivalents to IFRS	Current Australian GAAP
Acquired contingent liabilities	<p>Contingent liabilities of the acquiree should be recognised and measured at their fair value at acquisition date if the fair value of the contingent liability can be measured reliably.</p> <p>The subsequent measurement of contingent liabilities recognised in a business combination is based on the higher of the amount recognised under AASB 137 and the amount initially recognised less where appropriate any cumulative amortisation recognised in accordance with AASB 118.</p>	<p>Identifiable liabilities recognised at the date of acquisition where it is probable that any associated resources embodying economic benefits will flow from the acquirer, and a reliable measure is available of their cost or fair value. Therefore contingent liabilities are not recognised at the date of acquisition.</p> <p>For subsequent changes in value, refer below.</p>
Acquired restructuring provisions	<p>Restructuring provisions should be recognised when allocating the cost of a business combination only when the acquiree has an existing liability for restructuring at the date of acquisition. Note, contractual obligations of the acquiree for which payment is triggered by a business combination would be recognised by the acquirer as part of allocating the cost of the combination.</p>	<p>Restructuring provisions that do not normally qualify as liabilities of the acquiree are recognised at acquisition if, and only if:</p> <ul style="list-style-type: none"> at, or before, the date of acquisition, the acquirer has developed the main features of a plan that involves terminating or reducing the activities of the acquiree and that relates to compensating employees of the acquiree, closing facilities of the acquiree, eliminating product lines of the acquiree, or terminating contracts of the acquiree that have become onerous because the acquirer has communicated to the other party at, or before, the date of acquisition that the contract will be terminated; at, or before, the date of acquisition, the acquirer has, subject to conditions, either entered into firm contracts to carry out features of the plan, or raised a valid expectation in those affected by the plan that it will implement the plan by starting to implement the detailed formal plan or announced the main features of the plan; and <p>by the earlier of three months after the date of acquisition and the date when the annual financial statements are authorised for issue, the enterprise has developed those main features into a detailed formal plan.</p>
Subsequent identification of changes in value of assets and liabilities	<p>If the amounts assigned to the identifiable assets, liabilities or contingent liabilities of the acquiree can be determined only on a provisional basis by the end of the reporting period in which a business combination occurs, the acquirer must account for the combination using those provisional values. Any adjustments to those provisional values as a result of completing the initial accounting for the combination must be completed and recognised within twelve months of the acquisition date.</p> <p>Adjustments to the initial accounting for a business combination after that accounting has been completed can be recognised only in order to correct an error, and therefore accounted for retrospectively. Adjustments to the initial accounting shall not be recognised for the effect of changes in accounting estimates. A change in an accounting estimate shall be accounted for prospectively.</p>	<p>Similar except there is no requirement for adjustments to be made within twelve months of the acquisition date.</p>
Goodwill	<p>Goodwill, allocated to the smallest 'cash-generating unit', capitalised and subject to an annual impairment test but no amortisation.</p>	<p>Goodwill is capitalised and amortised over its useful life, a period that is not to exceed 20 years. Straight-line basis of amortisation required. Unamortised balance of goodwill must be reassessed each year to ensure that future economic benefits are still probable.</p>

Differences between current Australian GAAP and Australian equivalents to IFRS

Topic	Australian Equivalents to IFRS	Current Australian GAAP
Intangible assets	Intangible assets acquired in a business combination should be recognised separately from goodwill if they arise as a result of contractual or legal rights or are separable from the business and the fair value of the asset can be measured reliably.	Less guidance provided regarding intangible assets.
In-process research and development (IPR&D)	IPR&D to be recognised as an asset if the definition of an intangible asset is met and its fair value can be reliably measured.	IPR&D can only be separately recognised as part of an acquisition where research and development costs are expected beyond any reasonable doubt to be recoverable.
Excess	Excess of acquisition interest in the recognised net assets of the acquiree over cost should be recognised immediately in the income statement as a gain.	Discount on acquisition must be accounted for by reducing proportionately the fair values of the non-monetary assets acquired. Any remaining balance must be recognised as revenue in net profit or loss.
Reverse acquisitions	Where an entity (the issuer) acquires another entity (the target) such that control of the combined enterprise passes to the holders of the shares issued as consideration (i.e. to the shareholders of the target), then the issuer may be deemed to have been acquired by the target and the purchase method of accounting be applied to the assets and liabilities of the issuer.	Treating the subsidiary as acquirer is incompatible with the requirement to fair value the net assets of the subsidiary and compute goodwill accordingly.
33. Insurance Contracts (Phase I) (AASB 4, revised AASB 1023 and 1038 & Superseded AASB 1023 and 1038)		
Scope	Requirements will apply only to insurance contracts, including medical benefits insurance contracts. Insurance contracts defined in terms of contracts subject to significant insurance risk – risk other than financial risk. Therefore, insurance companies will be required to comply with all other Standards. Non-insurance contracts regulated under insurance legislation that do not include an insurance risk accounted for in accordance with AASB 139.	Superseded AASB 1023 applies to general insurance activities. Superseded AASB 1038 applies to each entity which is a life insurer or the parent entity in an economic entity that includes a life insurer.
General insurance activities	Premium revenue recognised on fully prospective basis from attachment date, that is requiring the recognition of premium liabilities at the commencement of a contract where insurance liabilities, less related deferred acquisition costs and intangible assets, is insufficient to meet estimated future cash flows. Premium liabilities must include a risk margin for uncertainty. Liability to be discounted at the risk free discount rate. Assets backing insurance liabilities to be measured at fair value where an available option within other accounting standard.	Premium revenue is recognised under a deferral and matching model, that is, in accordance with the pattern of the incidence of risk. Unearned premium revenue and deferred acquisition costs are recognised in the balance sheet. Deferred acquisition costs written off to the extent not recoverable. No reserve required for deficiency. Liability discounted by a rate that reflects returns anticipated on insurance assets. Assets integral to an entity's general insurance activities measured at net market value.
Life insurance activities	Policy liabilities to be discounted at risk free rate to the extent that the benefits under the life insurance contract are not contractually linked to the performance of the asset held. All assets to be accounted for under other Standards. Assets backing insurance liabilities to be measured at fair value where an available option within other accounting standard. 'Excess of market value over net assets of controlled entities' cannot be recognised as an asset. Apply AASB 139 to financial liabilities arising from investment contract (non-insurance contracts). However such liabilities must be designated as fair value through the profit or loss.	Policy liabilities discounted at a rate that reflects the returns anticipated on insurance assets. All assets of a life insurer measured at net market value. Life insurers recognise the excess of net market value in a subsidiary over the net assets of the subsidiary. Life insurance policies measured using Margin on Services method.

Topic	Australian Equivalents to IFRS	Current Australian GAAP
34. Non-Current Assets Held for Sale and Discontinued Operations (AASB 5 & Superseded AASB 1042)		
<i>Refer to Accounting Alert 2004/08 'Non-current assets held for sale and discontinued operations' for further details.</i>		
Definition of discontinued operations	<p>Discontinued operations defined as a 'component' of an entity that has either been disposed of, or is classified as held for sale and:</p> <ul style="list-style-type: none"> represents a separate major line of business or geographical area of operations; is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or is a subsidiary acquired exclusively with a view to resale. <p>Components of an entity are any operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity.</p>	<p>Discontinued operations defined as a component of an entity:</p> <ul style="list-style-type: none"> that the enterprise, pursuant to a single plan, is disposing of substantially in its entirety, or by piecemeal or, through abandonment; and that represents a separate major line of business or geographical area of operations; and that can be distinguished operationally and for financial reporting purposes.
Disclosure of discontinuing operations	<p>Initial disclosure event not a trigger for disclosure as discontinued operations. Disclosure required where entity has disposed of the operation, or when the criteria for classification as a 'discontinued operation' are met.</p> <p>Extraordinary items are prohibited.</p> <p>Requires disclosure on the face of the income statement the total post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on the measurement to fair value less cost to sell or on disposal of the assets or disposal group constituting the discontinued operation.</p>	<p>Disclosures as discontinued operations required in the period in which the initial disclosure event occurs.</p> <p>Classification of an individual revenue or expense associated with a discontinuing operation as extraordinary is allowed, but expected to be rare.</p> <p>Disclosure of the gain or loss is required, but can be included only in the notes to the financial statements.</p>
Non-current asset held for sale	<p>Specific criteria to be met before a non-current asset can be classified as held for sale.</p> <p>Non-current assets classified as held for sale are to be measured at lower of carrying amount and fair value less costs to sell.</p> <p>Such assets shall not be depreciated.</p>	<p>No distinction made between non-current assets expected to be recovered through continuous use and non-current asset expected to be recovered through sale. General recognition and measurement provisions applied.</p>

Topic	Australian Equivalents to IFRS	Current Australian GAAP
35. Accounting for Extractive Industries (ED 130 & AASB 1022)		
<i>Refer to Accounting Alert 2004/05 'Accounting for exploration and evaluation under IFRS' for further details.</i>		
	<p>The AASB is proposing to grandfather current Australian GAAP. The related exposure draft is still being debate and when finalised is expected to be effective for 1 January 2006, but early adoption would be permitted.</p> <p>Currently, exploration and evaluation costs carried forward by entities in the extractive industries in respect of an area of interest prior to any activity in that area of interest entering the development stage are not excluded from the scope of AASB 136.</p>	<p>Standard applicable to all phases in an extractive industry operation, from exploration to production and restoration of the site.</p> <p>'Area of interest' method used to determine whether costs arising from exploration, evaluation, development and construction should be carried forward.</p> <p>Where the following criteria are not met, exploration and evaluation assets must be written-off:</p> <ul style="list-style-type: none"> • rights to tenure of the area of interest are current; • costs are expected to be recouped through successful development and exploitation of area of interest, or by its sale; and/or • exploration and evaluation activities in the area of interest have not at balance date reached a stage which permits reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations is still continuing on the area of interest. <p>Exploration and evaluation costs carried forward by entities in the extractive industries in respect of an area of interest prior to any activity in that area of interest entering the development stage are not tested for impairment provided exploration and evaluation activities in the area of interest have not at balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.</p>

www.iasplus.com

The IAS Plus website, maintained by Deloitte, provides the most comprehensive information on the Internet about international financial reporting. It is aimed at accounting professionals, businesses, financial analysts, standard-setters and regulators, and accounting educators and students. The site, which is totally free of charge, has a broad array of resources about the International Accounting Standards Board and International Financial Reporting Standards, including:

- A news page (updated almost daily). Day-by-day past news back to December 2000
- Detailed summaries of all standards and interpretations
- E-learning modules for each IAS and IFRS – made available at no charge in the public interest
- Model IFRS financial statements and disclosure checklists
- Downloadable Deloitte Touche Tohmatsu publications relating to IFRS (over 60 publications available)
- Background and updates on all IASB and IFRIC agenda projects, including decision summaries of all IASB meetings
- Comparisons of IFRSs and various national GAAPs
- Complete history of the adoption of IFRSs in Europe, with links to all the relevant documents
- Information about adoptions of IFRSs elsewhere around the world
- Updates on national accounting standards development in nearly 40 countries throughout the world
- A resource library of important documents relating to International Financial Reporting Standards
- Description of the IASB structure, component bodies, and key organisations with which it interrelates
- History of the IASB, including a comprehensive chronology
- Links to nearly 200 global IFRS-related websites
- Even some tools to help in your work, such as world time clock, 9-year calendar, unit conversions, amortisation calculator, telephone codes, currency converter, stock market indexes, worldwide weather, and a calculator.

