

What's new for June 2007?

This document provides a very high level overview of new and revised financial reporting requirements that need to be considered for financial reporting periods ending on 30 June 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 June reporting close process.

This document was last updated at 27 June 2007 – we will reissue it if any significant developments occur in the period to 30 September 2007.

Appendix A provides an analysis of the disclosures required and answers some commonly asked questions.

What are the big picture issues for June 2007?

The key considerations for June 2007 include:

- the impact of the **financial guarantee** requirements which must be adopted for the first time for annual June reporters (already implemented by half-year reporters). Further information on this can be found in Accounting alert 2007/02
- whether to **early adopt AASB 2007-4 Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments**, to adopt the new accounting policy choices available or eliminate 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 small/large proprietary company test. Further information on this can be found in Accounting alert 2007/11
- for **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 standards on segment reporting and borrowing costs have been issued, and it is possible that revised Standards on business combinations and consolidations will be issued prior to the close of the June reporting season.

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

In addition, the disclosure requirements outlined in the Appendix need to be carefully considered.



Table of new and revised accounting pronouncements

Note that the disclosure requirements of many of the pronouncements listed in this table would not be applicable to half-year financial reports. However, where relevant, the recognition and measurement requirements of any relevant standards would still be applied.

New or revised requirement	Effective for annual reporting periods (beginning/ending) on or after	Applicability at 30 June 2007 to...	
		Annual reporting periods	Interim reporting periods
New and revised IFRS-equivalent Standards			
<p>AASB 101 Presentation of Financial Statements (revised)</p> <p>Removes Australian specific requirements from AASB 101, but incorporates amendments made on the introduction of AASB 7 surrounding the disclosure of the entity's objectives, policies and processes for managing capital. Accordingly, early adoption may only be attractive to entities that are also early adopting AASB 7.</p>	(beginning) 1 January 2007	Optional	Mandatory
<p>AASB 119 Employee Benefits (revised), AASB 2004-3 Amendments to Australian Accounting Standards</p> <p>Implements the IASB amendments to IAS 19 <i>Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures</i> in the Australian context, including the option to recognise actuarial gains/losses directly in equity and the naming of the 'statement of recognised income and expense' (SORIE). Also introduces the 'corridor' approach to the recognition of actuarial gains/losses which was excluded from the version of AASB 119 made by the AASB in July 2004. Many entities would have early adopted these requirements as part of their transition to A-IFRS.</p>	(beginning) 1 January 2006	Mandatory	Already implemented
<p>AASB 123 Borrowing Costs (revised), AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123</p> <p>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>AASB 7 Financial Instruments: Disclosures, AASB 2005-10 Amendments to Australian Accounting Standards</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>Capital Disclosures</i>.</p>	(beginning) 1 January 2007	Optional	Mandatory (for the annual reporting period, no specific disclosures required in interim financial reports)
<p>AASB 8 Operating Segments, AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8</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>Revised Guidance on Implementing IFRS 4</p>	(beginning) 1 January 2007	Optional	Mandatory

Table of new and revised accounting pronouncements (continued)

New or revised requirement	Effective for annual reporting periods (beginning/ending) on or after	Applicability at 30 June 2007 to...	
		Annual reporting periods	Interim reporting periods
New or revised domestic Standards			
AASB 1048 Interpretation and Application of Standards (March 2007) Updated version of this 'service standard' to provide a mandatory requirement to comply with Interpretations in the Australian context.	(ending) 31 March 2007	Mandatory (refer to Interpretations below)	Mandatory (refer to Interpretations below)
AASB 1049 Financial Reporting of General Government Sectors by Governments This Standard applies to the Australian Government and each State and Territory Government and is therefore of limited relevance to other entities.	(beginning) 1 July 2008	Optional	Optional
Amending Standards (where not related to other pronouncements listed in this table)			
AASB 2005-1 Amendments to Australian Accounting Standard Implements the IASB Amendment to IAS 39 <i>Cash Flow Hedge Accounting of Forecast Intragroup Transactions</i> in the Australian context.	(beginning) 1 January 2006	Mandatory	Already implemented
AASB 2005-4 Amendments to Australian Accounting Standards Implements the IASB Amendment to IAS 39 <i>The Fair Value Option</i> in the Australian context, restricting the ability to designate financial instruments as 'fair value through the profit and loss'.	(beginning) 1 January 2006	Mandatory	Already implemented
AASB 2005-6 Amendments to Australian Accounting Standards Introduces a scope exemption in AASB 3 <i>Business Combinations</i> for business combinations involving entities or businesses under common control, bringing AASB 3 into line with IFRS 3. Many entities have early adopted this Standard.	(beginning) 1 January 2006	Mandatory	Already implemented
AASB 2005-9 Amendments to Australian Accounting Standards Implements the IASB Amendments to IAS 39 & IFRS 4 <i>Financial Guarantee Contracts</i> in the Australian context.	(beginning) 1 January 2006	Mandatory	Already implemented
AASB 2006-1 Amendments to Australian Accounting Standards Implements the IASB Amendments to IAS 21 <i>Net Investment in a Foreign Operation</i> in the Australian context.	(ending) 31 December 2006	Mandatory	Already implemented
AASB 2006-3 Amendments to Australian Accounting Standards Extends the transitional expiry date in relation to land under roads for public sector entities for a further 12 months to 31 December 2007.	(ending) 31 December 2006	Mandatory	Already implemented
AASB 2006-4 Amendments to Australian Accounting Standards Eliminates an inconsistency between AASB 134 and AASB 1049 for the General Government Sector.	(interim periods ending) 31 December 2006	Not applicable	Already implemented
AASB 2007-4 Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments 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.	(beginning) 1 July 2007	Optional	Optional
AASB 2007-5 Amendments to Australian Accounting Standard – Inventories Held for Distribution by Not-for-Profit Entities 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.	(beginning) 1 July 2007	Optional	Optional

Table of new and revised accounting pronouncements (continued)

New or revised requirement	Effective for annual reporting periods (beginning/ending) on or after	Applicability at 30 June 2007 to...	
		Annual reporting periods	Interim reporting periods
<p>Interpretation 4 <i>Determining whether an Arrangement contains a Lease, AASB 2005-5 Amendments to Australian Accounting Standards</i></p> <p>Equivalent to IFRIC 4 of the same name. Concludes that whether an arrangement is, or contains, a lease, should be determined based on the substance of the arrangement. The amending standard implements consequential amendments to AASB 1.</p>	(beginning) 1 January 2006	Mandatory	Already implemented
<p>Interpretation 5 <i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds, AASB 2005-5 Amendments to Australian Accounting Standards</i></p> <p>Equivalent to IFRIC 5 of the same name. Requires a contributor to a fund to recognise its obligation to pay decommissioning costs as a liability and recognise its interest in the fund separately unless the contributor is not liable to pay decommissioning costs even if the fund fails to pay. The amending standard implements consequential amendments to AASB 139.</p>	(beginning) 1 January 2006	Mandatory	Already implemented
<p>Interpretation 6 <i>Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment</i></p> <p>Equivalent to IFRIC 6 of the same name. Will only directly affect entities with operations affected by the European Union Directive on Waste Electrical and Electronic Equipment (WE&EE).</p>	(beginning) 1 December 2005	Mandatory	Already implemented
<p>Interpretation 7 <i>Applying the Restatement Approach under AASB 129 'Financial Reporting in Hyperinflationary Economies'</i></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	Mandatory
<p>Interpretation 8 <i>Scope of AASB 2</i></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	Mandatory
<p>Interpretation 9 <i>Reassessment of Embedded Derivatives</i></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	Mandatory
<p>Interpretation 10 <i>Interim Financial Reporting and Impairment</i></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	Optional	Mandatory

Table of new and revised accounting pronouncements (continued)

New or revised requirement	Effective for annual reporting periods (beginning/ending) on or after	Applicability at 30 June 2007 to...	
		Annual reporting periods	Interim reporting periods
<p>Interpretation 11 AASB 2 – Group and Treasury Share Transactions, AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation 11</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 good and services) should be accounted for as equity-settled or as cash-settled transactions under AASB 2.</p>	(beginning) 1 March 2007	Optional	Optional
<p>Interpretation 12 Service Concession Arrangements, Interpretation 4 Determining whether an Arrangement contains a Lease (revised), Interpretation 129 Service Concession Arrangements: Disclosure (revised), AASB 2007-2 Amendments to Australian Accounting Standards arising from AASB Interpretation 12</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

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

<p>IFRIC X Customer Loyalty Programmes</p> <p>Adopts a revenue allocation rather than cost accrual approach 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 January 2008 (note: at its June 2007 meeting, the IASB requested that the IFRIC extend this application date)	Optional	Optional
<p>IFRIC X IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</p> <p>This Interpretation deals with the following issues:</p> <ul style="list-style-type: none"> when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19 how a minimum funding requirement might affect the availability of reductions in future contributions when a minimum funding requirement might give rise to a liability. 	(beginning) 1 January 2008	Optional	Optional

Corporations Act 2001 amendments

The following amendments have direct or indirect impacts on financial reporting in general:

- Corporations Legislation Amendment (Simpler Regulatory System) Bill 2007* – amends, among other matters: the thresholds around when proprietary companies must prepare and lodge financial statements and the reporting of executive remuneration
- Financial Sector Legislation Amendment (Restructures) Bill 2007*, dealing with the introduction of 'non-operating holding companies' by financial institutions, providing these entities exemptions from provisions of the *Corporations Act 2001* with approval of the Minister.

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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 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 IFRIC/IASB 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
Mandatory initial application Voluntary application	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.
Voluntary application, but pronouncement 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 annual 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 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 their 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 ED 151

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*.

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 10 and Interpretation 11.

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.

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 IFRIC/IASB 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 IFRIC/IASB 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.