

Accounting Alert

Analysis of the latest accounting developments delivered to you via e-mail

Disclosing the Impacts of Adopting Australian Equivalents to IFRS

A copy of AASB 1047 can be downloaded from the AASB's web site:
www.aasb.com.au

The Australian Accounting Standards Board (AASB) has released AASB 1047 *Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards*. In addition, the Australian Securities and Investments Commission (ASIC) has released a guide to *Disclosing the Impact of International Accounting Standards in Prospectuses and Other Disclosure Documents*.

This *Accounting Alert* provides an overview of AASB 1047 and the ASIC guide and highlights some of the issues arising from the key requirements.

Overview

Narrative disclosure required at 30 June 2004 regarding impact of IFRS

AASB 1047 applies to all reporting entities and general purpose financial reports for interim and annual reporting periods ending on or after 30 June 2004, and ceases to apply when an entity has adopted Australian equivalents to IFRS. The Standard aims to provide users of financial reports with information about the impacts of changes in accounting policies resulting from the implementation of Australian equivalents to IFRS. The Standard requires narrative disclosures as at 30 June 2004 with increased quantitative disclosures of any known or reliably estimable impacts in 30 June 2005 financial reports. These requirements are substantially less onerous than that proposed in ED 129.

A copy of the ASIC guide can be obtained from the ASIC web site:
www.asic.gov.au

The ASIC guide effectively extends the application of AASB 1047 to disclosure documents, for example, prospectuses, takeover documents and scheme of arrangement documents and, in certain circumstances, suggests increased quantitative disclosure (earlier than required by AASB 1047) to ensure investors are able to make informed investment decisions. The ASIC guide applies from 22 April 2004 until the entity lodges its first annual financial report under Australian equivalents to IFRS.

30 June 2004 Financial Reports

Narrative disclosures only required at 30 June 2004

In respect of financial reports for annual and interim periods ending on or after 30 June 2004, the following disclosures are required:

- an explanation of how the transition to Australian equivalents to IFRSs is being managed; and
- a narrative explanation of the key differences in accounting policies that are expected to arise from adopting Australian equivalents to IFRSs.

The Standard includes examples of some of the changes in accounting policies that will be required on transition but this list is by no means exhaustive.

Such disclosure may require entities to bring forward work on IFRS convergence where the above information cannot yet be determined.

30 June 2005 Financial Reports

In respect of financial reports for annual and interim periods ending on or after 30 June 2005, the following more detailed disclosures are required:

- any known or reliably estimable information about the impacts on the financial report had it been prepared using Australian equivalents to IFRSs; or
- if the impacts are not known or reliably estimable, a statement to that effect.

Quantitative disclosures encouraged but not mandatory at 31 December 2004

The Standard does not mandate, but strongly encourages, entities to make these disclosures at 31 December 2004 as well.

Commentary to the Standard states that it is expected that most entities will be able to quantify the impacts at 30 June 2005 and 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. Entities should therefore ensure that their IFRS convergence projects are appropriately planned and timed to meet these disclosures.

The format of the disclosures is not prescribed but may include a line-by-line reconciliation or reconciliation of key items.

Disclosure Documents

Impact of IFRS should be disclosed in prospectuses and other disclosure documents

ASIC considers that a disclosure document issued before the first annual financial report of an entity prepared under Australian equivalents to IFRS should contain information on the impact of adopting these standards.

Disclosure documents include prospectuses, product disclosure statements, offer information statements, takeover documents, scheme of arrangement documents, and relevant related party transaction documents that contain financial information about the past and/or prospective financial information.

The nature and extent of the information presented on the basis of current Australian Standards versus Australian equivalents to IFRS will depend on factors such as the timing of the document's release, the periods to be covered by any financial forecasts, and the size and effect of the differences between the amounts reported on each basis. The fact that AASB 1047 may not yet require certain information to be disclosed should not form the basis for not disclosing quantitative effects. In cases where standards are not finalised, amounts are not yet audited or assumptions have been applied, disclosures are encouraged to explain these uncertainties.

The guide does not form part of the Corporations Act 2001 (the Act) but represents ASIC's view of what is regarded as good disclosure in order to comply with the Act.

Feedback and Assistance

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For assistance in applying the requirements outlined in your organisation, please contact your local Deloitte office or contact our Lead National Technical Partner, Bruce Porter on (03) 9208 7490, or by email to bruporter@deloitte.com.au

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