

Accounting Alert

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

Applicability of AASB 1046 'Director and Executive Disclosures by Disclosing Entities' to Managed Investment Schemes

The Australian Accounting Standards Board (AASB) has issued a media release on the applicability of AASB 1046 'Director and Executive Disclosures by Disclosing Entities' ('AASB 1046') to managed investment schemes.

This *Accounting Alert* provides an overview of the media release.

Overview

AASB 1046 was issued in January 2004, and applies to all disclosing entities for annual reporting periods ending on or after 30 June 2004. The Standard specifies the disclosures required for specified directors and specified executives.

In response to queries indicating a range of different interpretations of the applicability of AASB 1046 to managed investment schemes, the Board considered the issue at its meeting held on the 16-17 June 2004. Conclusions communicated in the AASB's Action Alert and its media release include:

- AASB 1046 applies to all managed investment schemes which are disclosing entities, irrespective of how the entity is structured
- the specified directors and specified executives of the Responsible Entity of the scheme are the specified directors and specified executives of the scheme for the purposes of AASB 1046
- the management fee paid to the Responsible Entity indirectly forms part of the remuneration of the directors and executives of the Responsible Entity
- where the Responsible Entity decides it is impossible to allocate the remuneration of specified directors and specified executives on a meaningful basis, it should make the same (full) disclosure of their remuneration in each scheme's financial report, along with an appropriate description of its unallocated nature.

The AASB have indicated their intent to consider incorporating specific guidance about the application of AASB 1046 to managed investment schemes into a revised Standard.

Identification of specified directors and specified executives

The issue of AASB 1046 will result in a distinction in the disclosures between disclosing and non-disclosing managed investment schemes. Historically, Deloitte have taken the view that limited disclosure was required of the directors and executives of managed investment schemes, as 'director' was interpreted as being the Operator of the Scheme, and as Schemes generally do not have any employees. Accordingly, the disclosure of remuneration paid was limited to the disclosure of the management fee charged by the Responsible Entity.

The AASB's interpretation of AASB 1046 identifies a scheme's specified directors and specified executives as being the specified directors and specified executives of the Responsible Entity, rather than the Responsible Entity itself. Consequently, managed investment schemes which are disclosing entities will be required to make the extensive disclosures required under AASB 1046. There may be difficulties in obtaining the information, and result in more onerous reporting requirements, where the Responsible Entity is itself not a disclosing entity.

Disclosures are still required of the Responsible Entity in accordance with IFSA Guidance Note 3 'Financial Reporting' and AASB 1017 'Related Party Disclosures'.

A copy of AASB 1046 can be downloaded from the AASB's web site: www.aasb.com.au

The specified directors and specified executives of a disclosing managed investment scheme are identified by reference to the directors and executives of the Responsible Entity

Disclosure of the remuneration of specified directors and specified executives

The key area affected by the AASB's decision in identifying the specified directors and specified executives of a managed investment scheme as the specified directors and specified executives of the Responsible Entity is the disclosure of director and executive remuneration. However, entities should note that all other disclosures specified by AASB 1046 will also have to be included, where applicable.

In some instances, it may be possible for the Responsible Entity to allocate the management fee (or an appropriate portion thereof) on an appropriate basis as forming the remuneration of individual directors and executives, e.g. where the Responsible Entity is responsible for only one managed investment scheme, and conducts no other activities.

However, in most instances, the Responsible Entity will be responsible for managing a number of schemes and, in our opinion, it is probable that there will be no meaningful manner of allocating remuneration to a particular scheme. The AASB have indicated that in such instances, each managed investment scheme in question should disclose in its financial report the full remuneration of each specified director and specified executive, along with an appropriate description of its unallocated nature.

Deloitte envisages that most managed investment schemes (that are disclosing entities) will not be able to appropriately allocate remuneration, and will have to disclose the full remuneration of the specified directors and specified executives.

Feedback and Assistance

We welcome your feedback on the matters covered in this *Accounting Alert* – please email your comments to accounting_alerts@deloitte.com.au

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

The cost of remuneration of specified directors and specified executives should be allocated to each managed investment scheme on an appropriate basis, where possible

This and other Deloitte publications are available on the Deloitte website at www.deloitte.com.au

This Accounting Alert is of a general nature only and is not intended to be relied upon as, nor to be a substitute for, specific professional advice. No responsibility for loss occasioned to any person acting on or refraining from action as a result of any material in this publication can be accepted.

The liability of Deloitte Touche Tohmatsu is limited by, and to the extent of, the Accountants' Scheme under the Professional Standards Act 1994 (NSW).

© 2004 Deloitte Touche Tohmatsu. All rights reserved. Produced in Australia.