

AASB plans for adopting IASB standards by 2005

Last updated 17 March 2004

The AASB has the following plans for adopting IASB standards by 2005 in accordance with the Financial Reporting Council's strategic direction.¹ The plans were initially agreed after meeting with the AASB Consultative Group in March 2003, and are updated periodically to take into account recent developments.

The AASB's plans are aimed at achieving the FRC's strategic direction of ensuring that for-profit entities applying AASB standards for reporting periods beginning on or after 1 January 2005 will also be complying with IASB standards. This will enable those entities to make an unreserved statement that their financial reports are prepared in compliance with IASB standards and, as mentioned in the FRC's strategic direction, will enable audit reports to refer to entities' compliance with IASB standards.

The plans are based on the most recent information obtained from the IASB. By 31 March 2004, the IASB plans to have issued its "stable platform" of new and revised standards for application from 1 January 2005. However, the IASB has now agreed to propose some changes to the stable platform that will not be finalised until after 31 March 2004². As the IASB's work plan changes, this impacts on the AASB's plans.

After the stable platform is achieved, the AASB will continue work to maintain "parity" with the IASB's standards in order that the FRC's strategic direction continues to be met.

There is a significant risk that if the AASB issued a standard with cross-references to another standard not already in existence those cross-references would be ineffectual. Since the AASB versions of IASB standards contain numerous interlocking cross references, the AASB plans to formally make all the standards relevant to adoption in 2005 on the one day – no earlier than 16 June 2004³. In the meantime, as standards are finalised for making, they will be placed on the AASB's web site in "pending" form. The technical requirements of these standards will only change if changes are made to the equivalent IASB standards.

Overall approach

In adopting the IASB's standards, the AASB's overall approach is to adopt the content and wording of IASB standards. Words will only be changed where there is a need to accommodate the Australian legislative environment. An example is the need to include an Australian application paragraph that mentions the *Corporations Act 2001*. These changes will not affect the substance of the requirements.

1 FRC Bulletin 2002/4, 3 July 2002

2 ED 6 *Exploration for and Evaluation of Mineral Resources* (see AASB ED 130 *Request for Comment on ED 6 Exploration for and Evaluation of Mineral Resources*) is not part of the IASB's 31 March 2004 platform. However, it is intended that a Standard on the Extractive Industries (expected to be finalised in September 2004) be applicable for 1 January 2005.

The IASB also plans forthcoming Exposure Drafts on changes to the fair value option in IAS 39 *Financial Instruments: Recognition and Measurement* and in respect of which standards should deal with credit insurance contracts (IFRS 4 *Insurance Contracts* or IAS 39), which are intended to be applicable for 2005.

3 The AASB's June 2004 meeting is on 16 and 17 June.

The AASB is responsible for setting accounting standards for all types of reporting entities⁴. Additional text, suitably identified, will be included in the standards to deal with those limited cases where there is a need to have different or additional requirements for not-for-profit entities⁵. These additions will not impact on the requirements in relation to for-profit entities.

Optional treatments and additional disclosures

The AASB is aiming for the highest quality financial reporting in adopting IASB standards. To this end, subject to due process, the AASB may permit only one of a number of optional treatments available in IASB standards. In addition, the AASB may require additional disclosures, particularly where these are already required under existing AASB standards. Removal of optional treatments and additional disclosure requirements will not impact on the capacity of an Australian entity to achieve compliance with IASB standards.

The AASB's policy on optional treatments is explained in *AASB policy on optional treatments and scope exclusions in relation to the adoption of IASB standards for 2005* on the AASB's web site at AASB/Work Program/IASB 2005.

Additional guidance

In some cases, existing AASB standards contain helpful commentary that is not included in the equivalent IASB standards. The AASB will retain this commentary as guidance that is not part of the standards where it is considered to be of benefit to users of AASB standards and provided it does not contradict the content of AASB equivalents of the IASB standards. Such guidance may, for example, deal with situations that are commonly encountered in the Australian environment but which are not catered for in the IASB standards.

Prohibition on early adoption

The AASB considered a number of alternative approaches to the early adoption of the Australian equivalents of IASB standards, between the time they are made in 2004 and their effective date of reporting periods commencing on or after 1 January 2005. In the process the AASB considered detailed papers outlining the interrelationships between the Standards and, in particular, the possibilities of permitting piecemeal adoption of certain groups of Standards.

The AASB decided to prohibit early adoption of the AASB equivalents of IASB standards either in full or on a piecemeal basis. The key reason for this view is the potential adverse impact on users of financial reports if different entities were to prepare reports using different

4 Under section 227(1) of the *Australian Securities and Investments Commission Act 2001*, the functions of the AASB are to

- (a) develop a conceptual framework not having the force of an accounting standard, for the purpose of evaluating proposed accounting standards and international standards;
- (b) make accounting standards under section 334 of the Corporations Act for the purposes of the corporations legislation;
- (c) formulate accounting standards for other purposes;
- (d) participate in and contribute to the development of a single set of accounting standards for world-wide use; and
- (e) advance the main objects of this Part [Part 12].

It should be noted that, even in respect of the corporations legislation, the AASB needs to deal with issues concerning not-for-profit entities, because many such entities are incorporated.

5 Under section 229(2) of the *Australian Securities and Investments Commission Act 2001*, the AASB (a) must have regard to the suitability of a proposed standard for different types of entities; (b) may apply different accounting requirements to different types of entities; and (c) must ensure that there are appropriate accounting standards for each type of entity that must comply with accounting standards.

sets of Standards in the same reporting period. The Board considered it to be important to maintain comparability between the financial reports of Australian reporting entities.

Main objects of ASIC Act

In performing its functions, the AASB must have regard to the objects of Part 12 of the *Australian Securities and Investments Commission Act 2001*. Due to the benefits associated with adoption of IASB standards, it is expected that the adoption of each and every IASB standard will be consistent with the objects of Part 12. However, the possibility that the AASB would not adopt an IASB standard cannot be completely discounted. In rare and exceptional circumstances, the AASB may decide that adoption of an IASB standard is not consistent with the objects of Part 12.

The objects of Part 12 of the ASIC Act are:

- (a) to facilitate the development of accounting standards that require the provision of financial information that:
 - (i) allows users to make and evaluate decisions about allocating scarce resources; and
 - (ii) assists directors to discharge their obligations in relation to financial reporting; and
 - (iii) is relevant to assessing performance, financial position, financing and investment; and
 - (iv) is relevant and reliable; and
 - (v) facilitates comparability; and
 - (vi) is readily understandable; and
- (b) to facilitate the Australian economy by:
 - (i) reducing the cost of capital; and
 - (ii) enabling Australian entities to compete effectively overseas; and
 - (iii) having accounting standards that are clearly stated and easy to understand; and
- (c) to maintain investor confidence in the Australian economy (including its capital markets).

Structure of the remainder of the paper

The details of the AASB's plans are presented under the following headings. The details are followed by a table showing the current timetable for issuing Australian equivalents of IASB pronouncements.

- 1 IASB Preface
- 2 Reporting Entity and General Purpose Financial Reports – SACs 1 & 2
- 3 Conceptual Framework – SACs 3 & 4 and aspects of IASs 18 and 20
- 4 Materiality
- 5 IASB standards not scheduled for change before 2005 (other than consequential or editorial changes) – List A
- 6 Proposed “improved” IASB reissued in Q4 2003 – List B

- 7 IASB standards scheduled for short-term convergence – List C
- 8 Proposed “new” IASB standards – List D

1 IASB Preface

The current Australian equivalent of most of the material covered in the IASB’s Preface is contained in AASB Policy Statements (PS). The AASB has reviewed PS 1 *The Development of Statements of Accounting Concepts and Accounting Standards* and PS 4 *International Convergence and Harmonisation Policy* and considers there to be no need to introduce an AASB equivalent to the IASB’s Preface.

2 Reporting Entity & General Purpose Financial Reports – SACs 1 & 2

The IASB has no equivalent to SAC 1 *Definition of the Reporting Entity*, and the reporting entity concept is embedded in Australian GAAP. The concept of general purpose financial reports in SAC 2 *Objective of General Purpose Financial Reporting*, is also essential to the application of AASB Standards. The AASB plans to retain the substantive content of SACs 1 and 2 in some form.

In September 2003, the AASB issued ED 124 Request for Comment on: *The Definition of Reporting Entity; IASB Framework for the Preparation and Presentation of Financial Statements; IAS 18 Revenue; and IAS 20 Accounting for Government Grants and Government Assistance*. Comments closed on 30 November 2003. ED 124 proposes an amended definition of “reporting entity” that is close to the existing Australian definition and includes some aspects of the IASB definition. The AASB notes that the application of AASB standards is a matter for the AASB and does not affect the content of the standards in terms of recognition, measurement and disclosure requirements.

3 Conceptual Framework – SACs 3 & 4 and aspects of IASs 18 and 20

The IASB has a relatively brief conceptual framework document compared with the current Australian conceptual framework in the Statements of Accounting Concepts (SACs) – SAC 3 *Qualitative Characteristics of Financial Information* and SAC 4 *Definition and Recognition of the Elements of Financial Statements*. The IASB’s Framework and SACs 3 and 4 are highly similar, except for the material relating to prudence (IASB’s Framework includes prudence as a qualitative characteristic – SAC 3 does not) and revenues (IASB’s Framework has revenues plus gains equals income – SAC 4 does not make this split). The AASB notes that it is necessary to adopt the IASB Framework when adopting the IASB standards because the standards are based on the Framework. The Framework is also part of the hierarchy of rules and guidance that entities need to apply under IAS 1 *Presentation of Financial Statements*. ED 124 Request for Comment on: *The Definition of Reporting Entity; IASB Framework for the Preparation and Presentation of Financial Statements; IAS 18 Revenue; and IAS 20 Accounting for Government Grants and Government Assistance* proposes adopting the IASB Framework.

IAS 18 Revenue and IAS 20 Accounting for Government Grants and Disclosure of Government Assistance

The most significant difference between IAS 18, IAS 20 and AASB 1004 Revenue relates to the Framework difference referred to above.

The AASB is conducting work on revenue recognition by public sector entities covered by AAS 27 *Financial Reporting by Local Governments*, AAS 29 *Financial Reporting by Government Departments* and AAS 31 *Financial Reporting by Governments*. The AASB is proposing to exclude such public sector entities from applying the AASB equivalent to the existing IAS 20. The IASB is undertaking fundamental work on IAS 20 that is likely to lead to substantial revisions. The revised IAS 20 is scheduled to be completed in 2004/2005, but it would not be applicable for 2005, unless adopted early.

The AASB will consider whether there is any material in IPSAS 9 *Revenue from Exchange Transactions* that may need to be considered for inclusion in the standards.

The AASB issued ED 124 Request for Comment on: *The Definition of Reporting Entity; IASB Framework for the Preparation and Presentation of Financial Statements; IAS 18 Revenue; and IAS 20 Accounting for Government Grants and Government Assistance*. Comments closed on 30 November 2003. ED 124 asks constituents whether:

- * the concept of revenue in the IASB Framework and in IAS 18 is appropriate and workable;
- * the option to measure a non-monetary government grant at fair value or nominal amount should be retained in the Australian equivalent of IAS 20, and if not, which option should be eliminated;
- * the option to recognise the grant carried forward as either deferred income or as a reduction in the carrying amount of an asset should be retained in the Australian equivalent of IAS 20, and, if not, which option should be eliminated;
- * the differences identified in the comparison of the IASB Framework and the SACs represent a change that is appropriate and workable;
- * the application to for-profit entities of the requirements for the recognition, measurement and disclosure of government grants under IAS 20 and IAS 41 is appropriate and workable;
- * the retention of the existing requirements of AASB 1004 on contributions and liabilities forgiven for application to not-for-profit entities is appropriate;
- * there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to not-for-profit entities or public sector entities; and
- * the proposals are in the best interests of the Australian economy.

4 Materiality

AASB 1031 Materiality and the IASB Framework (paragraphs 29 and 30) are consistent, however, AASB 1031 is far more comprehensive. The AASB plans to retain AASB 1031 to ensure that the meaning of materiality remains clear. The AASB will modify AASB 1031 to update formatting and make the expression consistent with the AASB equivalents of IASB Standards.

5 IASB standards not scheduled for change before 2005 (other than consequential or editorial changes) – List A

IAS 7 Cash Flow Statements, IAS 23 Borrowing Costs and IAS 41 Agriculture

In May 2003, the AASB issued IAS 7, IAS 23 and IAS 41 as EDs 110, 111 and 114 with Prefaces that explain the differences from AASB 1026 *Statement of Cash Flows*, AASB 1036 *Borrowing Costs* and AASB 1037 *Self-Generating and Regenerating Assets*, and has asked constituents whether:

- * alternative treatments should be permitted and, if not, which treatments should prevail (IAS 7 allows either the direct or indirect method; IAS 23 allows either full expensing or capitalisation of borrowing costs; and IAS 41 allows biological assets to be measured at cost in certain circumstances);
- * adopting IAS 7, IAS 23 and IAS 41 is in the best interests of the Australian economy;
- * there are any issues relating to not-for-profit entities, including public sector entities, that may affect the implementation of IAS 7, IAS 23 and IAS 41; and
- * there are any regulatory or other issues arising in the Australian environment that may affect the implementation of IAS 7, IAS 23 and IAS 41.

Comments closed on 30 June 2003. The AASB does not consider that there is any material in IPSAS 2 *Cash Flow Statements* or IPSAS 5 *Borrowing Costs* that needs to be included, based on the comments on the EDs.

The AASB notes that a number of constituents have raised implementation concerns about AASB 1037 and staff have begun a SGARAs implementation review to consider addressing those concerns. The implementation review will provide input to an IASB review process after 2005.

Pending versions of AASB 107, AASB 123 and AASB 141 (the AASB equivalents to IAS 7, IAS 23 and IAS 41) are on the AASB's web site.

IAS 11 Construction Contracts

IAS 11 is highly similar to the existing AASB 1009. In July 2003, the AASB issued ED 118 with a Preface explaining the relevant circumstances, and asked constituents whether:

- * adopting IAS 11 is in the best interests of the Australian economy;
- * there are any issues relating to not-for-profit entities, including public sector entities, that may affect the implementation of IAS 11; and
- * there are any regulatory or other issues arising in the Australian environment that may affect the implementation of IAS 11.

The AASB has formed the view that there is no need to incorporate any material from IPSAS 11 *Construction Contracts* in the AASB version of IAS 11. Comments closed on 30 September 2003.

A pending version of AASB 111 (the AASB equivalent to IAS 11) is on the AASB's web site.

IAS 12 Income Taxes

AASB 1020 has the same underlying approach as IAS 12 but includes considerably more detailed explanatory material than IAS 12. In November 2003, the AASB issued ED 128 with a Preface explaining the relevant circumstances, and asked constituents whether:

- * the IAS 12 option in respect of information reconciling tax expense and accounting profit should be adopted;
- * adopting IAS 12 is in the best interests of the Australian economy and, in particular, whether explanatory material in addition to that in IAS 12 is needed in the Australian environment;
- * there are any aspects of the existing AASB 1020 commentary that should be retained (as guidance that is not part of the Standard);
- * there are any issues relating to not-for-profit entities, including public sector entities, that may affect the implementation of IAS 12; and
- * there are any regulatory or other issues arising in the Australian environment that may affect the implementation of IAS 12.

Comments closed on 31 January 2004. The AASB plans to consider comments on ED 128 at its April 2004 meeting.

IAS 14 / IPSAS 18 Segment Reporting

IAS 14 is considerably different from IPSAS 18. The AASB supports issuing sector-neutral standards, except where it is considered appropriate to have considerably different treatments for each sector. The AASB issued ED 119 in July 2003 that proposes excluding public sector entities other than Government Business Enterprises from the scope of the AASB equivalent to IAS 14. [Although not the subject of this paper, the AASB also plans to consider IPSAS 18 as the basis for an Australian segments standard for the public sector.] ED 119 has a Preface explaining the relevant circumstances, and asks constituents whether:

- * adopting IAS 14 is in the best interests of the Australian economy; and
- * there are any regulatory or other issues arising in the Australian environment that may affect the implementation of IAS 14.

Comments on ED 119 closed on 30 September 2003.

A pending version of AASB 114 (the AASB equivalent to IAS 14) is on the AASB's web site.

IAS 19 Employee Benefits

In June 2003, the AASB issued ED 115, which incorporates IAS 19 with a Preface that explains the differences from AASB 1028 *Employee Benefits* and asked constituents whether:

- * the "corridor" approach to recognising actuarial gains and losses associated with a liability to a defined benefit plan should be prohibited in the Australian equivalent of IAS 19;
- * any of the features of AASB 1028 identified as different from IAS 19 in the comparison in this Preface should be included in the proposed Australian equivalent of IAS 19, and if so, which features;

- * any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to not-for-profit entities or public sector entities;
- * the proposals are in the best interests of the Australian economy.

Comments closed on 29 August 2003.

The IASB has tentatively indicated that it will remove the option to use the corridor for actuarial gains and losses in its long-term review of IAS 19. This is scheduled to be completed in conjunction with the IASB's Performance Reporting project and will not be applicable for 2005. The Board has considered the responses to ED 115 and decided that the corridor option should not be permitted in Australia. A pending version of the AASB 119 (the AASB equivalent to IAS 19) is on the AASB's web site.

In a recent development, and as a short term measure, the IASB intends to consider issuing an Exposure Draft proposing that the number of optional treatments be extended to allow the full amount of actuarial gains and losses in respect of defined benefit plans to be taken direct to equity. The AASB would also issue this Exposure Draft. This possible proposed change to IAS 19 would be expected to be applicable for 2006.

IAS 26 Accounting and Reporting by Retirement Benefit Funds

IAS 26 and AAS 25 *Financial Reporting by Superannuation Plans* cover a topic that could be regarded as being of purely domestic interest, particularly in view of the substantial impact of domestic regulation on superannuation plans. The AASB plans not to deal with this topic as part of the IASB adoption strategy.

IAS 29 Financial Reporting in Hyperinflationary Economies

When the AASB previously considered IAS 29, it decided that its only relevance in the Australian environment is in respect of self-sustaining foreign operations that operate in hyperinflationary economies. The AASB considered it to be inappropriate at that stage to suggest that the Australian economy is likely to be hyperinflationary – a benchmark for hyperinflation is cumulative inflation approaching or exceeding 100% over 3 years. Nevertheless, the AASB issued IAS 29 in ED 112 in May 2003 with a Preface explaining the relevant circumstances, and asked constituents whether:

- * adopting IAS 29 is in the best interests of the Australian economy;
- * there are any issues relating to not-for-profit entities, including public sector entities, that may affect the implementation of IAS 29; and
- * there are any regulatory or other issues arising in the Australian environment that may affect the implementation of IAS 29.

Comments closed on 30 June 2003.

A pending version of AASB 129 (the AASB equivalent to IAS 29) is on the AASB's web site.

IAS 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions

IAS 30 is being reviewed by the IASB with the assistance of its Financial Activities Advisory Committee and an IASB ED is planned for 2004. However, a revised standard based on this ED is not expected for application in 2005. For the purposes of adoption by 2005, the AASB

issued the existing IAS 30 in ED 113 in May 2003 with an explanatory Preface, and asked constituents whether:

- * adopting IAS 30 is in the best interests of the Australian economy;
- * there are any issues relating to not-for-profit entities, including public sector entities, that may affect the implementation of IAS 30; and
- * there are any regulatory or other issues arising in the Australian environment that may affect the implementation of IAS 30.

Comments closed on 30 June 2003.

A pending version of AASB 130 (the AASB equivalent to IAS 30) is on the AASB's web site.

IAS 31 Interests in Joint Ventures

In August 2003, the AASB issued ED 121 with a Preface that explains the differences from AASB 1006 *Interests in Joint Ventures*, and asks constituents whether:

- * alternative treatments should be permitted and, if not, which treatments should prevail (IAS 31 allows either proportional consolidation or equity accounting for reporting interests in joint venture entities);
- * adopting IAS 31 is in the best interests of the Australian economy;
- * there are any issues relating to not-for-profit entities, including public sector entities, that may affect the implementation of IAS 31; and
- * there are any regulatory or other issues arising in the Australian environment that may affect the implementation of IAS 31.

Comments closed on 31 October 2003. The Board considered the comments on ED 121 and agreed to remove the option to use proportional consolidation in accounting for interests in joint venture entities and to require the use of equity accounting, which is the currently required treatment under AASB 1006.

A pending version of AASB 131 (the AASB equivalent to IAS 31) is expected to be placed on the AASB's web site in late March 2004.

IAS 34 Interim Financial Reporting and IAS 37 Provisions, Contingent Liabilities and Contingent Assets

IAS 34 is highly similar to the existing AASB 1029 and IAS 37 is highly similar to AASB 1044. In October 2003, the AASB issued ED 126 and ED 127 relating to IAS 34 and IAS 37 with Prefaces explaining the relevant circumstances. ED 126 asked constituents whether:

- * any of the additional material in the existing AASB 1029 should be retained
- * adopting IAS 34 is in the best interests of the Australian economy; and
- * there are any regulatory or other issues arising in the Australian environment that may affect the implementation.

ED 127 asked constituents whether:

- * any practical difficulties may be encountered in only recognising liabilities for dividends once final approval has been granted to pay the dividend;

- * retain the requirement to separately disclose reductions in carrying amounts of provisions resulting from remeasurement of estimates to settle provisions or from settlements without cost to the entity;
- * any of the additional material in the existing AASB 1044 should be retained;
- * any implementation guidance should be provided;
- * there are any regulatory or other issues arising in the Australian environment that may affect the implementation; and
- * adopting IAS 37 is in the best interests of the Australian economy.

A pending version of AASB 134 (the AASB equivalent to IAS 34) is expected to be placed on the AASB's web site in March 2004.

Comments closed on ED 127 on 31 December 2003. The AASB considered comments on ED 127 at its March 2004 meeting and will continue to consider the comments at its April 2004 meeting.

IAS 36 Impairment of Assets and IAS 38 Intangible Assets

IAS 36 and IAS 38 are included in ED 109 on Business Combinations issued in December 2002. The AASB has considered the comments received (comments closed 10 March 2003), and intends to approve AASB equivalents to IAS 36 and IAS 38 in light of these comments.

List A

IASB	Existing AASB Standard	ED or Pending Standard
IAS 7 Cash Flow Statements	AASB 1026 Statement of Cash Flows	Pending AASB 107
IAS 11 Construction Contracts	AASB 1009 Construction Contracts	Pending AASB 111
IAS 12 Income Taxes	AASB 1020 Income Taxes	ED 128
IAS 14 Segment Reporting	AASB 1005 Segment Reporting	Pending AASB 114
IAS 19 Employee Benefits	AASB 1028 Employee Benefits	Pending AASB 119
IAS 23 Borrowing Costs	AASB 1036 Borrowing Costs and ED 111	Pending AASB 123
IAS 29 Financial Reporting in Hyperinflationary Economies	AASB 1012 Foreign Currency Translation (includes aspects of IAS 29 in the context of self-sustaining foreign operations)	Pending AASB 129
IAS 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions	AASB 1032 Specific Disclosures by Financial Institutions	Pending AASB 130
IAS 31 Interests in Joint Ventures	AASB 1006 Interests in Joint Ventures	ED 121
IAS 34 Interim Financial Reporting	AASB 1029 Interim Financial Reporting	ED 126
IAS 36 Impairment of Assets	AASB 1010 Recoverable Amount of Non-Current Assets	ED 109
IAS 37 Provisions, Contingent Liabilities and Contingent Assets	AASB 1044 Provisions, Contingent Liabilities and Contingent Assets	ED 127
IAS 38 Intangible Assets	Various Standards deal with	ED 109

	Intangible Assets (for example, depreciation under AASB 1021)	
IAS 41 Agriculture	AASB 1037 Self-Generating and Regenerating Assets	Pending AASB 141

6 Proposed “improved” IASB standards reissued in 2003 – List B

These standards are included in the IASB Improvements ED issued in May 2002 and in the AASB Improvements Invitation to Comment *Proposed Improvements to International Accounting Standards and their Impacts on Australian Standards* issued in May 2002. This list also includes improvements to IAS 32 and IAS 39, which were the subject of an IASB ED, issued in June 2002 and an AASB Invitation to Comment issued in June 2002. Both Invitations to Comment were upgraded by the AASB to be EDs in August 2002.

The AASB plans to issue the following “improved” standards as AASB standards, provided the IASB does not make substantive amendments at forthcoming IASB meetings that are unsuitable for the Australian environment:

- * IAS 1 Presentation of Financial Statements
- * IAS 2 Inventories
- * IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- * IAS 10 Events After the Balance Sheet Date
- * IAS 16 Property, Plant and Equipment
- * IAS 17 Leases
- * IAS 24 Related Party Disclosures
- * IAS 27 Consolidated and Separate Financial Statements
- * IAS 28 Investments in Associates
- * IAS 32 Financial Instruments: Disclosure and Presentation
- * IAS 33 Earnings per Share
- * IAS 39 Financial Instruments: Recognition and Measurement
- * IAS 40 Investment Property.

IAS 1 Presentation of Financial Statements

The AASB notes that IAS 1 was substantially implemented in Australia in 1999 through changes to AASB 1018. As part of a post-implementation review of AASB 1018, the AASB issued ED 105 in 2002 proposing more prescription of the format of the statement of financial performance. Many of these changes are now embodied in AASB 1018. The AASB has analysed the differences between IAS 1 and the current version of AASB 1018 and retained those additional requirements that it considers key to good reporting. A pending version of AASB 101 (the AASB equivalent to IAS 1) is on the AASB’s web site. The AASB intends to consider guidance to attach to AASB 101 at its April 2004 meeting.

The AASB also notes that the IASB’s Performance Reporting project is expected to fundamentally impact on IAS 1, but not in respect of mandatory application in 2005.

IAS 2 Inventories

The AASB issued ED 116 in July 2003 proposing that additional material from IPSAS 12 *Inventories* be included in the AASB equivalent of IAS 2. Comments closed on

30 September 2003. Pending AASB 102 (the AASB equivalent to IAS 2) is on the AASB's web site.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

A pending version of the AASB equivalent to IAS 8 is on the AASB's web site.

IAS 10 Events Occurring After the Balance Sheet Date

A pending version of the AASB equivalent to IAS 10 is on the AASB's web site.

IAS 16 Property, Plant and Equipment

The AASB issued ED 120 in July 2003 proposing that additional material from IPSAS 17 *Property, Plant and Equipment* be included in the AASB equivalent to IAS 16. Comments closed on 30 September 2003. A pending version of AASB 116 (the AASB equivalent to IAS 16) is on the AASB's web site.

IAS 17 Leases

A pending version of the AASB equivalent to IAS 17 is expected to be placed on the AASB's web site in late March 2004.

IAS 21 The Effects of Changes in Foreign Exchange Rates, including presentation currency

IAS 21 *The Effects of Changes in Foreign Exchange Rates* assumes that there can be multiple presentation currencies, whereas AASB 1012 *Foreign Currency Translation* presumes one reporting currency and AASB 1034 *Financial Report Presentation and Disclosures* requires presentation in Australian dollars. In July 2003, the AASB issued an Invitation to Comment *Presentation Currency of Australian Financial Reports* asking constituents whether:

- * it is appropriate to continue to mandate the Australian currency as the presentation currency for incorporated reporting entities.

Comments closed on 29 August 2003. The AASB decided to adopt the approach in the proposed improved IAS 21 and to have a "robust" requirement to disclose the reasons for choosing a presentation currency other than the Australian currency. A pending version of AASB 121 (the AASB equivalent to IAS 21) is on the AASB's web site.

IAS 24 Related Party Disclosures

The AASB plans to consider adopting IAS 24, depending on the final "improvements" made by the IASB. ED 106 *Director, Executive and Related Party Disclosures Part 1* has given rise to a separate "domestic" AASB standard – AASB 1046 *Director and Executive Disclosures by Disclosing Entities*. There is a separate project on related party disclosures in the public sector, and the AASB would probably exclude public sector entities from applying the AASB equivalent to IAS 24. IPSAS 20 differs considerably from IAS 24.

IAS 27 Consolidated and Separate Financial Statements and IAS 28 Investments in Associates

The AASB intends considering guidance to be attached to AASB 127 at its April 2004 meeting. A pending version of the AASB equivalent to IAS 27 is expected to be placed on the AASB's web site in April 2004. A pending version of AASB 128 (the AASB equivalent to IAS 28) is on the AASB's web site.

IAS 32 Financial Instruments: Presentation and Disclosure

The AASB issued an Invitation to Comment *Proposed Improvements to International Accounting Standards IAS 32 “Financial Instruments: Disclosure and Presentation” and IAS 39 “Financial Instruments: Recognition and Measurement”* in June 2002 relating to IAS 32 and IAS 39. Comments closed on 14 October 2002.

A pending version of AASB 132 (the AASB equivalent to IAS 32) is on the AASB’s web site.

IAS 33 Earnings Per Share

A pending version of the AASB equivalent to IAS 33 is expected to be placed on the AASB’s web site in late March 2004.

IAS 39 Financial Instruments: Recognition and Measurement

The AASB issued an Invitation to Comment in June 2002 relating to IAS 32 and IAS 39. Comments closed on 14 October 2002. The AASB also issued ED 123 in September 2003, which incorporates the IASB ED on proposed amendments to IAS 39 Financial Instruments: Recognition and Measurement – Fair Value Hedge Accounting for a Portfolio of Interest Rate Risk. Comments closed on 31 October 2003.

A pending version of AASB 139 (the AASB equivalent to IAS 39) is on the AASB’s web site, although it does not reflect any possible amendments arising from ED 123 or the forthcoming fair value option Exposure Draft.

IAS 40 Investment Property

The AASB issued ED 103 *Investment Property (and Consequential Amendments to AASB 1021/AAS 4 and AASB 1041)* in December 2001. The improvements Invitation to Comment also noted some changes proposed to IAS 40 that would be introduced in Australia through the adoption process.

A pending version of AASB 140 (the AASB equivalent to IAS 40) is on the AASB’s web site.

List B

IASB	Existing AASB Standard	ED or Pending Standard
IAS 1 Presentation of Financial Statements IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	AASB 1001 Accounting Policies AASB 1018 Statement of Financial Performance AASB 1031 Materiality AASB 1034 Financial Report Presentation and Disclosures AASB 1040 Statement of Financial Position	Pending AASB 101 Pending AASB 108
IAS 2 Inventories	AASB 1019 Inventories	Pending AASB 102
IAS 10 Events After the Balance Sheet date	AASB 1002 Events Occurring After Reporting Date	Pending AASB 110
IAS 16 Property, Plant and Equipment	AASB 1015 Acquisition of Assets AASB 1021 Depreciation AASB 1041 Revaluation of Non-Current Assets	Pending AASB 116
IAS 17 Leases	AASB 1008 Leases	Invitation to Comment – May 2002
IAS 21 The Effects of Changes in Foreign Exchange Rates	AASB 1012 Foreign Currency Translation	Pending AASB 121
IAS 24 Related Party Disclosures	AASB 1017 Related Party Disclosures AASB 1034 Financial Report Presentation and Disclosures ED 106 Director, Executive and Related Party Disclosures	Invitation to Comment – May 2002
IAS 27 Consolidated and Separate Financial Statements	AASB 1024 Consolidated Accounts	Invitation to Comment – May 2002
IAS 28 Investments in Associates	AASB 1016 Accounting for Investments in Associates	Pending AASB 128
IAS 32 Financial Instruments: Disclosure and Presentation	AASB 1033 Pres. & Disclosure of Financial Instruments AASB 1014 Set-off and Extinguishment of Debt UIG Abstract 43	Pending AASB 132
IAS 33 Earnings per Share	AASB 1027 Earnings Per Share	Invitation to Comment – May 2002
IAS 39 Financial Instruments: Recognition and Measurement	No AASB equivalent	Pending AASB 139 ED 123 Fair Value Hedge Accounting for a Portfolio Hedge of Interest Rate Risk
IAS 40 Investment Property	No AASB equivalent	Pending AASB 140

7 IASB standards scheduled for short-term convergence – List C

This list now includes only one project.

The IASB is attempting to converge with the US FASB on the topic of discontinued operations and issued ED 4 in July 2003. At the same time, the AASB issued ED 117 (incorporating the IASB's ED) on disposal of non-current assets and presentation of discontinued operations and asked constituents whether:

- * adopting the proposals is in the best interests of the Australian economy;
- * there are any issues relating to not-for-profit entities, including public sector entities, that may affect the implementation of the proposals; and
- * there are any regulatory or other issues arising in the Australian environment that may affect the implementation of the proposals.

Comments closed on 30 September 2003.

List C

IASB	Existing AASB Standard	ED or Pending Standard
IAS 35 Discontinuing Operations	AASB 1042 Discontinuing Operations	ED 117

8 Proposed “new” IASB standards – List D

The AASB plans to continue its normal due process in respect of the topics in List D.

List D

IASB	Existing AASB Standard	ED or Pending Standard
ED 1 First-time Adoption of International Financial Reporting Standards – comment period closed 31 October 2002	No AASB equivalent	Pending AASB 1 First-time Adoption of Australian International Financial Reporting Pronouncements
ED 2 Share-based Payment – comment period closed 7 March 2003	No AASB equivalent	Pending AASB 3
IAS 22 Business Combinations to be replaced by a forthcoming IFRS based on: * ED 3 Business Combinations; IASB ED of Proposed Amendments to IAS 36 Impairment of Assets – comment period closed 4 April 2003; and * a forthcoming ED Business Combinations Phase II	AASB 1015 Acquisitions of Assets	ED 109 Request for Comment on: IASB ED 3 Business Combinations; IASB ED of Proposed Amendments to IAS 36 Impairment of Assets and IAS 38 Intangible Assets Dec 2002
Insurance Phase I ED 5 Insurance Contracts – comment period closed 31 October 2003	AASB 1023 General Insurance Activities AASB 1038 Life Insurance Business	ED 122 Request for Comment on IAB ED 5 Insurance Contracts – comment period closed 15 October 2003 ED 122A Request for Comment on Amendments to AASB 1023 General Insurance Contracts – comment period closed 31 December 2003 ED 122B Request for Comment on Amendments to AASB 1038 Life Insurance Contracts – comment period closed 31 December 2003
Extractive Activities Phase I	AASB 1022 Accounting for the Extractive Industries	ED 130 Request for Comment on IASB ED 6 Exploration for and Evaluation of Mineral Resources – comment period closes March 2004

Timing of actions – based on the AASB’s plans

	AASB status	List	March 2004	April 2004	May 2004	June 2004
Framework	SACs 3 & 4 ED 124			Pending Framework		Approve Framework
Reporting Entity & General Purpose Financial Reports	SACs 1 & 2 ED 124					To be revised & reissued later in 2004
IAS 1 Presentation of Financial Statements	AASB 1001 (in part) AASB 1018 (in part) AASB 1034 AASB 1040 Pending AASB 101	B		Pending Guidance		Make AASB 101
IAS 2 Inventories	AASB 1019 ED 116 Pending AASB 102	B				Make AASB 102
IAS 7 Cash Flow Statements	AASB 1026 ED 110 Pending AASB 107	A				Make AASB 107
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	AASB 1001 (in part) AASB 1018 (in part) Pending AASB 108	B				Make AASB 108
IAS 10 Events After the Balance Sheet Date	AASB 1002 Improvements ED Pending AASB 110	B				Make AASB 110
IAS 11 Construction Contracts	AASB 1009 ED 118 Pending AASB 111	A				Make AASB 111
IAS 12 Income Taxes	AASB 1020 ED 128	A		Collation of ED 128 comments		Make AASB 112
IAS 14 Segment Reporting	AASB 1005 ED 119 Pending AASB 114	A				Make AASB 114

	AASB status	List	March 2004	April 2004	May 2004	June 2004
IAS 16 Property, Plant and Equipment	AASBs 1015, 1021 & 1041 and ED 120 Pending AASB 116	B				Make AASB 116
IAS 17 Leases	AASB 1008 Improvements ED	B	Pending AASB 117			Make AASB 117
IAS 18 Revenue	AASB 1004 ED 124	A			Pending AASB 118	Make AASB 118
IAS 19 Employee Benefits	AASB 1028 and ED 115 Pending AASB 119	A		ED on actuarial gains & losses options		Make AASB 119
IAS 20 Government Grants	AASB 1004 ED 124	A			Pending AASB 120	Make AASB 120
IAS 21 The Effects of Changes in Foreign Exchange Rates	AASB 1012 Improvements ED ITC on AUD Pending AASB 121	B				Make AASB 121
IAS 23 Borrowing Costs	AASB 1036 ED 111 Pending AASB 123	A				Make AASB 123
IAS 24 Related Party Disclosures	AASB 1017 ED 106 Improvements ED	B			Pending AASB 124	Make AASB 124
IAS 27 Consolidated and Separate Financial Statements	AASB 1024 Improvements ED	B		Pending AASB 127		Make AASB 127
IAS 28 Investments in Associates	AASB 1016 Improvements ED Pending AASB 128	B				Make AASB 128
IAS 29 Financial Reporting in Hyperinflationary Economies	AASB 1012 ED 112 Pending AASB 123	A				Make AASB 129
IAS 30 Disclosures by Banks etc.	AASB 1032 ED 113 Pending AASB 130	A				Make AASB 130

	AASB status	List	March 2004	April 2004	May 2004	June 2004
IAS 31 Interests in Joint Ventures	AASB 1006 and ED 121	A	Pending AASB 131			Make AASB 131
IAS 32 Financial Instruments: Disclosure and Presentation	AASB 1033 Improvements ED Pending AASB 132	B				Make AASB 132
IAS 33 Earnings per Share	AASB 1027 Improvements ED	B	Pending AASB 133			Make AASB 133
IAS 34 Interim Reporting	AASB 1029 ED 126	A		Pending AASB 134		Make AASB 134
IAS 35 Discontinuing Operations	AASB 1042 and ED 117	C			Pending AASB 5	Make AASB 5
IAS 36 Impairment of Assets	AASB 1010 ED 109	A				Make AASB 136
IAS 37 Provisions	AASB 1044 ED 127	A		Pending Guidance		Make AASB 137
IAS 38 Intangible Assets	ED 109	A				Make AASB 138
IAS 39 Financial Instruments: Recognition and Measurement	Improvements ED ED 123 Pending AASB 139	B		ED on fair value option	Consider portfolio hedging changes (ED 123)	Make AASB 139
IAS 40 Investment Property	ED 103 Improvements ED Pending AASB 141	B				Make AASB 140
IAS 41 Agriculture	AASB 1037 ED 114 Pending AASB 141	A				Make AASB 141
ED 1 First-time Adoption	ED 107 Pending AASB 1	D		Pending Guidance		Make AASB 1
ED 2 Share-based Payment	ED 108 Pending AASB 2	D				Make AASB 2
IAS 22 Business Comb. ED 3 Business Combinations & IAS 36 Impairment	AASB 1013 AASB 1015 ED 109	D				Make AASB 3

	AASB status	List	March 2004	April 2004	May 2004	June 2004
Insurance Phase I	AASB 1023 AASB 1038 ED 122, 122A & 122B	D				Make AASB 4 Make AASB 1023(r) Make AASB 1038(r)
Extractive Activities Phase I	AASB 1022 ED 130	D				

ED = Exposure Draft SAC = Statement of Accounting Concepts (r) = revised ITC = Invitation to Comment

There is a significant risk that if the AASB issued a standard with cross-references to another standard not already in existence those cross-references would be ineffective. Since the AASB versions of IASB standards contain numerous interlocking cross references, the AASB plans to formally make all the standards relevant to adoption in 2005 on one day – no earlier than 16 June 2004. In the meantime, as standards are finalised for making, they will be placed on the AASB’s web site in “pending” form. There may be difficulty achieving the making process in June due to outstanding likely changes to some standards – notably IAS 39 and the forthcoming standard on extractive activities.