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Model Financial Statements

The period of relative calm

Financial years ending on or after 30 June 2012

April 2012

Model annual reports

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Section A
What's new in financial reporting?

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What are the big picture issues for June 2012?

Key considerations

The Australian economy in general is growing at a moderate pace, although the conditions vary significantly across different sectors. The global economy is still on uncertain grounds and Europe's financial markets bear close watching. In today's world, it is unlikely that the Australian economy will be fully immune to the volatility arising from the impacts of sovereign debt and the banking problems in Europe. A wide range of impacts for financial reporting might need to be considered – including impairment (as well as the possibility of reversals of previous impairment losses in some cases), fair value determination (for tangible, intangible and financial assets as appropriate), provisions and contingencies. On top of the recognition and measurement requirements, there is an ever growing list of disclosure requirements to consider.

From the point of view of new accounting changes, the current period may be viewed as a 'period of relative calm' before the big changes in 2013-15, that will see application of new standards in major areas like consolidation, joint arrangements, financial instruments, revenue, leases, including extensive disclosure requirements.

However, there will still be some new and amended reporting requirements that must be applied for the first time this year, including those in relation to:

- Related party disclosures
- Significant events and transactions disclosures in interim financial reports.
- Clarification on financial instruments' disclosures related to credit risk
- Additional disclosures on transfer of financial assets
- Clarification on customer loyalty program 'award credits'
- Some disclosure relief as a consequence of Trans-Tasman convergence project

Some of the Australian-specific and other related factors that need to be considered in the current reporting season:

- **Changes to the *Corporations Act 2001*** – remuneration reforms: the *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011 (the Executive Remuneration Act)* amends the *Corporations Act 2001* to address conflicts of interest that exist in the remuneration setting process and to promote a culture of responsible remuneration practices. The key changes will be in the conduct and disclosures in AGMs and remuneration disclosures that promote accountability and transparency
  The new and amended disclosure requirements for remuneration reports are applicable to the 30 June 2012 financial year ends for the first time. The companies may wish to review their remuneration report disclosures to ensure disclosures are comprehensive and clear to avoid misunderstanding by shareholders.
  ASIC has also released its findings of their review of remuneration reports for 30 June 2011 year ends. The review notes some areas of improvement such as the board's policy on the nature and amounts of remuneration, the non-financial performance conditions in short-term incentive plans, the terms and conditions of incentive plans, and the reasons behind choosing a performance condition.
- **AASB differential reporting regime** – voluntary early adoption of the AASB's revised differential reporting framework, particularly the 'Reduced Disclosure Requirements' (RDR) permits for-profit reporting entities without 'public accountability', not-for-profit entities that are reporting entities and some public sector entities to present substantially less disclosure than in the past.
- **Carbon** – on 8 November 2011 the Senate passed the 'Clean Energy Legislative Package' which sets out the way that Australia will introduce a carbon price to reduce Australia's carbon pollution and move to a clean energy future
  The carbon pricing mechanism will have a two phased approach: a fixed price mechanism, followed by an emission trading scheme (ETS). Under the carbon pricing scheme, as of 1 July 2012, every tonne of carbon dioxide equivalent (CO2-e) produced by approximately 500 of Australia's largest emitters will be priced at $23/ton. For the first three years, the carbon price will be fixed, rising annually by 2.5%. On 1 July 2015, the pricing mechanism will transition to the floating ETS
  The introduction of a carbon price mechanism in Australia results in a number of financial reporting considerations for the current period – including impairment, determination of fair values, disclosure of uncertainties, hedging programs, and wider market communication, before consideration is given to accounting for the carbon pricing scheme. The AASB is currently deliberating on the relevant accounting issues.

- **Mineral Resource Rent Tax** (MRRT) and Petroleum Resource Rent Tax (PRRT) – on 19th March 2011, the MRRT and PRRT legislative package were passed by the senate. The legislation introduces from 1July 2012, a tax on Australian iron ore and coal projects (with some limited exceptions) and to expand the reach of the PRRT. As the legislation is now substantively enacted, entities will need to consider impacts on deferred tax accounting following the AASB's agenda decision that MRRT will be considered as income tax for financial reporting purposes.
- **Federal Government taxation reform initiatives** – many entities will be affected by enacted or proposed tax legislation in such areas as the taxation of financial instruments (TOFA), the 'Small business and general business tax break', MRRT (see above), superannuation, tax-consolidation changes and the general corporate tax rate (proposed to be lowered from 30% to 29%). Such changes may have additional direct and indirect accounting consequences. For instance, the passage of legislation to implement the MRRT or tax rate changes would trigger changes to deferred taxes in the financial reporting period in which the enabling legislation is substantively enacted. Expected changes in tax rates may have indirect consequences on impairment models. Care needs to be taken to ensure the accounting implications of these tax changes are appropriately anticipated and addressed in financial reporting.
- **New IASB pronouncements** – the IASB has issued a number of standards that form the basis of the 'next wave' of pronouncements, which will mandatorily apply from 1 January 2013 through to 1 January 2015 or 2016 (depending upon the dates finally determined). New standards have been issued on fair value measurement, consolidation, joint arrangements and disclosures and employee benefits. Further pronouncements are expected on financial instruments, lease accounting, revenue recognition and insurance contracts. There may be some changes for which early adoption would be attractive. In addition, to the extent pronouncements have been issued prior to finalising the financial report, entities claiming full compliance with IFRSs in their financial statements will need to include the relevant AASB 101 disclosures about accounting standards on issue but not applied in their financial reports. Analysts and other stakeholders may also request more in-depth information about the impacts of the changes.
- **Non-IFRS financial information** – ASIC has released regulatory guidance on the use of 'non-IFRS financial information' in various documents. Entities providing additional financial information should carefully read the guidance and consider compliance and whether additional disclosure under the guide is necessary.
- **Australia-New Zealand convergence** – on 13 May 2011, the AASB and New Zealand Financial Reporting Standards Board (FRSB) issued a number of Standards implementing the first phase of a project which seeks to converge accounting standards between Australia and New Zealand. The recent amendments deleted a number of Australian-specific disclosures and guidance, and moved the retained disclosures (not also required by IFRSs) to a separate Standard – AASB 1054 'Australian additional disclosures'. Additional amendments implement 'Reduced Disclosure Requirements' for the revised disclosures. AASB 1054 would be mandatorily applicable to the 30 June 2012 financial year ends for the first time, and would provide some relief in 'Aus' specific disclosures.

Of course, the devil is often in the detail and there are numerous other financial reporting changes that need to be considered, with more changes likely to arise between the date of this publication and the end of the reporting period.

Important note

At the date of this publication, a number of key proposals of both the International Accounting Standards Board (IASB) and Australian Accounting Standards Board (AASB) are subject to finalisation and approval. As these proposals are finalised, early adoption may be attractive to some entities. Stay up-to-date with developments in this important area at http://www.deloitte.com/au/Accounting.

We also maintain an up-to-date summary of all new financial reporting requirements in our 'What's new' summary, available at http://www.deloitte.com/au/WhatsNew.

Detailed summary of new and revised financial reporting pronouncements

The information in this section was prepared as of **31 March 2012. This** information is updated throughout the reporting season in our 'What's new in financial reporting' summary, available at **http://www.deloitte.com/au/WhatsNew**.

The tables below outline the new and revised accounting pronouncements that either are to be applied for the first time at 30 June 2012, or which may be early adopted at that date.

As occurs so often with changes to accounting standards and financial reporting requirements, some of the new or revised pronouncements listed in the tables below may have a substantial impact on particular entities. Therefore, it is important the pronouncements listed are carefully reviewed for any potential impacts or opportunities.

Where early adoption is being contemplated, it is also important to address any necessary procedural requirements, e.g. for entities reporting under the *Corporations Act 2001*, appropriate directors' resolutions for early adoption must be made under s.334(5).

In addition, the disclosure requirements required in relation to new and revised accounting pronouncements need to be carefully considered even where they have not yet been adopted.

New and revised Standards forming the 'next wave'

The IASB is currently working on a number of important projects which may have significant potential impacts on accounting requirements going forward. In this section, we highlight those pronouncements which have been issued to date and form part of this so-called 'next wave' of IFRS. Some of these projects have application dates as early as 1 January 2013. Others (such as leases, revenue, and insurance contracts) may not be applicable for a number of years. The IASB and FASB are consulting on the effective dates and transition requirements for the majority of these projects (particularly those not yet finalised as a standard), and so application dates *may* be varied, or early adoption may be 'linked' to other standards.

New or revised requirement	When effective	Applicability to 30 June 2012 full years
AASB 9 'Financial Instruments (December 2009)', AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9' AASB 9 introduces new requirements for classifying and measuring financial assets, as follows: • Debt instruments meeting both a 'business model' test and a 'cash flow characteristics' test are measured at amortised cost (the use of fair value is optional in some limited circumstances) • Investments in equity instruments can be designated as 'fair value through other comprehensive income' with only dividends being recognised in profit or loss • All other instruments (including all derivatives) are measured at fair value with changes recognised in the profit or loss • The concept of 'embedded derivatives' does not apply to financial assets within the scope of the Standard and the entire instrument must be classified and measured in accordance with the above guidelines.	Applies on a modified retrospective basis to annual periods beginning on or after 1 January 2013*	Optional (see note regarding early adoption)

New or revised requirement	When effective	Applicability to 30 June 2012 full years
Note: In October 2010, the IASB reissued IFRS 9 'Financial Instruments', including revised requirements for financial liabilities and carrying over the existing derecognition requirements from IAS 39 'Financial Instruments: Recognition and Measurement'. On 15 December 2010, the AASB publicly released AASB 9 'Financial Instruments' (December 2010) and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)', which supersedes AASB 9 (December 2009). However, for annual reporting periods beginning before 1 January 2013, an entity may early adopt AASB 9 (December 2009) instead of AASB 9 (December 2010). ** The IASB has amended IFRS 9 to defer the mandatory effective date to annual periods beginning on or after 1 January 2015. It is expected that the AASB will issue similar amendments shortly.*		
AASB 9 'Financial Instruments (December 2010)' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)' A revised version of AASB 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over of the existing derecognition requirements from AASB 139 'Financial Instruments: Recognition and Measurement'. The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. *Note: This Standard supersedes AASB 9 (December 2009). However, for annual reporting periods beginning before 1 January 2013, an entity may early adopt AASB 9 (December 2009) instead of applying this Standard.* ** The IASB has amended IFRS 9 to defer the mandatory effective date to annual periods beginning on or after 1 January 2015. It is expected that the AASB will issue similar amendments shortly.*	Applies on a modified retrospective basis to annual periods beginning on or after 1 January 2013*	Optional (see note regarding early adoption)
AASB 10 'Consolidated Financial Statements' Requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in AASB 127 'Consolidated and Separate Financial Statements' and Interpretation 112 'Consolidation - Special Purpose Entities'. The Standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements.	Applicable to annual reporting periods beginning on or after 1 January 2013	Optional (see note regarding early adoption)

New or revised requirement	When effective	Applicability to 30 June 2012 full years
The Standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e. whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in 'special purpose entities'). Under AASB 10, control is based on whether an investor has: • Power over the investee • Exposure, or rights, to variable returns from its involvement with the investee, and • The ability to use its power over the investee to affect the amount of the returns. *Note: Early application is permitted by 'for-profit' entities, but not by 'not-for-profit' entities.* *Entities early adopting this standard must also adopt the other standards included in the 'suite of six' standards on consolidation, joint arrangements and disclosures: AASB 10 'Consolidated Financial Statements', AASB 11 'Joint Arrangements', AASB 12 'Disclosure of Interests in Other Entities', AASB 127 'Separate Financial Statements' (2011), AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'.*		
AASB 11 'Joint Arrangements' Replaces AASB 131 'Interests in Joint Ventures'. Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement. Joint arrangements are either joint operations or joint ventures: • A **joint operation** is a joint arrangement whereby the parties that have joint control of the arrangement (joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operators recognise their assets, liabilities, revenue and expenses in relation to its interest in a joint operation (including their share of any such items arising jointly). • A **joint venture** is a joint arrangement whereby the parties that have joint control of the arrangement (joint venturers) have rights to the net assets of the arrangement. A joint venturer applies the equity method of accounting for its investment in a joint venture in accordance with AASB 128 'Investments in Associates and Joint Ventures (2011)'. Unlike AASB 131, the use of 'proportionate consolidation' to account for joint ventures is not permitted. *Note: Early application is permitted by 'for-profit' entities, but not by 'not-for-profit' entities. Entities early adopting this standard must also adopt the other standards included in the 'suite of six' standards on consolidation, joint arrangements and disclosures: AASB 10 'Consolidated Financial Statements', AASB 11 'Joint Arrangements', AASB 12 'Disclosure of Interests in Other Entities', AASB 127 'Separate Financial Statements' (2011), AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'.*	Applicable to annual reporting periods beginning on or after 1 January 2013	Optional (see note regarding early adoption)

New or revised requirement	When effective	Applicability to 30 June 2012 full years
AASB 12 'Disclosure of Interests in Other Entities' Requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. In high-level terms, the required disclosures are grouped into the following broad categories: • **Significant judgements and assumptions** - such as how control, joint control, significant influence has been determined • **Interests in subsidiaries** - including details of the structure of the group, risks associated with structured entities, changes in control, and so on • **Interests in joint arrangements and associates** - the nature, extent and financial effects of interests in joint arrangements and associates (including names, details and summarised financial information) • **Interests in unconsolidated structured entities** - information to allow an understanding of the nature and extent of interests in unconsolidated structured entities and to evaluate the nature of, and changes in, the risks associated with its interests in unconsolidated structured entities. AASB 12 lists specific examples and additional disclosures which further expand upon each of these disclosure objectives, and includes other guidance on the extensive disclosures required. *Note: Entities are encouraged to voluntarily provide the information required by AASB 12 prior to its adoption. Providing some of the disclosures required by AASB 12 does **not** compel an entity to comply with all of the requirements of the AASB or to also apply the other standards included in the 'suite of six' standards on consolidation, joint arrangements and disclosures: AASB 10 'Consolidated Financial Statements', AASB 11 'Joint Arrangements', AASB 12 'Disclosure of Interests in Other Entities', AASB 127 'Separate Financial Statements' (2011), AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'.*	Applicable to annual reporting periods beginning on or after 1 January 2013	Optional (see note regarding early adoption)
AASB 127 'Separate Financial Statements (2011)' Amended version of AASB 127 which now only deals with the requirements for separate financial statements, which have been carried over largely unamended from AASB 127 'Consolidated and Separate Financial Statements'. Requirements for consolidated financial statements are now contained in AASB 10 'Consolidated Financial Statements'. The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and joint ventures are accounted for either at cost, or in accordance with AASB 9 'Financial Instruments'. The Standard also deals with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements.	Applicable to annual reporting periods beginning on or after 1 January 2013	Optional (see note regarding early adoption)

New or revised requirement	When effective	Applicability to 30 June 2012 full years
Note: Early application is permitted by 'for-profit' entities, but not by 'not-for-profit' entities. *Entities early adopting this standard must also adopt the other standards included in the 'suite of six' standards on consolidation, joint arrangements and disclosures: AASB 10 'Consolidated Financial Statements', AASB 11 'Joint Arrangements', AASB 12 'Disclosure of Interests in Other Entities', AASB 127 'Separate Financial Statements' (2011), AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'.*		
AASB 128 'Investments in Associates and Joint Ventures (2011)' This Standard supersedes AASB 128 'Investments in Associates' and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment. *Note: Early application is permitted by 'for-profit' entities, but not by 'not-for-profit' entities.* *Entities early adopting this standard must also adopt the other standards included in the 'suite of six' standards on consolidation, joint arrangements and disclosures: AASB 10 'Consolidated Financial Statements', AASB 11 'Joint Arrangements', AASB 12 'Disclosure of Interests in Other Entities', AASB 127 'Separate Financial Statements' (2011), AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'.*	Applicable to annual reporting periods beginning on or after 1 January 2013	Optional (see note regarding early adoption)
AASB 13 'Fair Value Measurement' and related 'AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13' Replaces the guidance on fair value measurement in existing AASB accounting literature with a single standard. The AASB defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, AASB 13 does not change the requirements regarding which items should be measured or disclosed at fair value.	Applicable to annual reporting periods beginning on or after 1 January 2013	Optional

New or revised requirement	When effective	Applicability to 30 June 2012 full years
AASB 13 applies when another AASB requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements). With some exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs: • **Level 1** - quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date • **Level 2** - inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly • **Level 3** - unobservable inputs for the asset or liability. Entities are required to make various disclosures depending upon the nature of the fair value measurement (e.g. whether it is recognised in the financial statements or merely disclosed) and the level in which it is classified.		
AASB 119 'Employee Benefits (2011)', 'AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (2011)' and 'AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements' An amended version of AASB 119 'Employee Benefits' with revised requirements for pensions and other post-employment benefits, termination benefits and other changes. The key amendments include: • Requiring the recognition of changes in the net defined benefit liability (asset) including immediate recognition of defined benefit cost, disaggregation of defined benefit cost into components, recognition of remeasurements in other comprehensive income, plan amendments, curtailments and settlements (eliminating the 'corridor approach' permitted by the existing AASB 119) • Introducing enhanced disclosures about defined benefit plans • Modifying accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition and measurement of termination benefits • Clarifying various miscellaneous issues, including the classification of employee benefits, current estimates of mortality rates, tax and administration costs and risk-sharing and conditional indexation features • Incorporating other matters submitted to the IFRS Interpretations Committee.	Applicable to annual reporting periods beginning on or after 1 January 2013	Optional

New and revised IFRS-equivalent Standards

New or revised requirement	When effective	Applicability to 30 June 2012 full years
AASB 124 'Related Party Disclosures (2009)', 'AASB 2009-12 Amendments to Australian Accounting Standards' Amends the requirements of the previous version of AASB 124 to: • Provide a partial exemption from related party disclosure requirements for government-related entities • Clarify the definition of a related party • Include an explicit requirement to disclose commitments involving related parties.	Applies to annual periods beginning on or after 1 January 2011	Mandatory

New or revised domestic Standards

New or revised requirement	When effective	Applicability to 30 June 2012 full years
AASB 1053 'Application of Tiers of Australian Accounting Standards' and 'AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements' These Standards together implement 'stage 1' of the AASB's revised differential reporting regime. AASB 1053 establishes a differential financial reporting framework consisting of two tiers of reporting requirements for general purpose financial statements: • Tier 1: Australian Accounting Standards • Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements ('RDR'). AASB 2010-2 makes amendments to each Standard and Interpretation indicating the disclosures not required to be made by 'Tier 2' entities. In some cases, additional 'RDR' paragraphs are inserted requiring simplified disclosures. The following entities apply either Tier 2 (RDR) or Tier 1 ('full' Australian Accounting Standards) in preparing general purpose financial statements: • For-profit private sector entities that do not have public accountability • All not-for-profit private sector entities • Public sector entities other than Federal, State, Territory and Local Governments. Regulators may have the power to require the application of 'full' Australian Accounting Standards (Tier 1) by the entities they regulate. *Note: The AASB is yet to consider RDR simplifications to certain standards, including AASB 4, AASB 1023, AASB 1038 and AAS 25. These will be subject of an additional consultative document. In addition, the AASB is now issuing 'Tier 2' exposure drafts in relation to recent IASB proposals, seeking input into how the proposed disclosures should be implemented in the RDR environment. 'Stage 2' of the AASB's differential reporting project will consider whether to extend the revised differential reporting framework to all financial statements prepared under Australian Accounting Standards, including entities currently considered 'non-reporting entities'.*	Applies to annual reporting periods beginning on or after 1 July 2013 but may be early adopted for annual reporting period beginning on or after 1 July 2009	Optional (for eligible entities)

New or revised requirement	When effective	Applicability to 30 June 2012 full years
AASB 1054 'Australian Additional Disclosures', 'AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project' and 'AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements'	**AASB 1054** - Applies to annual reporting periods beginning on or after 1 July 2011	Mandatory
These Standards are a consequence of Phase 1 of the joint Trans-Tasman Convergence project of the AASB and the Financial Reporting Standards Board (FRSB) of the New Zealand Institute of Chartered Accountants, harmonising Australian Accounting Standards and New Zealand equivalents to IFRSs (NZ IFRSs), with a focus on eliminating differences between the Standards in each jurisdiction relating to for-profit entities.	**AASB 2011-1** - Applies to annual reporting periods beginning on or after 1 July 2011	Mandatory
AASB 1054 sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards. This Standard contains disclosure requirements that are additional to IFRSs in areas such as compliance with Australian Accounting Standards, the nature of financial statements (general purpose or special purpose), audit fees, imputation (franking) credits and the reconciliation of net operating cash flow to profit (loss).	**AASB 2011-2** - Applies to annual reporting periods beginning on or after 1 July 2013	Optional (see note regarding early adoption)
AASB 2011-1 makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards. The Standard deletes various Australian-specific guidance and disclosures from other Standards (Australian-specific disclosures retained are now contained in AASB 1054), and aligns the wording used to that adopted in IFRSs. The 'true and fair override' is introduced into AASB 101 'Presentation of Financial Statements', but its application in the Australian context is limited by an additional 'Aus' paragraph.		
AASB 2011-2 establishes reduced disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements in relation to the Australian additional disclosures arising from the Trans-Tasman Convergence Project. The application date of this standard aligns with AASB 1053 'Application of Tiers of Australian Accounting Standards' (but may be early adopted, see below).		
Note: Early adoption of AASB 2011-2 is permitted for annual reporting periods beginning on or after 1 July 2009 but before 1 July 2013, provided that AASB 1053 'Application of Tiers of Australian Accounting Standards', AASB 1054 and AASB 2011-1 are also adopted for the same period.		

New Amending Standards

The table below lists the Amending Standards that do not relate to the pronouncements listed in other tables.

New or revised requirement	When effective	Applicability to 30 June 2012 full years
AASB 2009-14 'Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement' Makes limited-application amendments to Interpretation 14 'AASB 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'. The amendments apply when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements, permitting the benefit of such an early payment to be recognised as an asset.	Applies to annual reporting periods beginning on or after 1 January 2011	Mandatory
AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project' Amends a number of pronouncements as a result of the IASB's 2008-2010 cycle of annual improvements. Key amendments include: • **Financial statement disclosures** - clarification of content of statement of changes in equity (AASB 101), financial instrument disclosures (AASB 7) and significant events and transactions in interim reports (AASB 134) • **Interpretation 13** - fair value of award credits • **AASB 1** - accounting policy changes in year of adoption and amendments to deemed cost (revaluation basis, regulatory assets).	Applies to annual reporting periods beginning on or after 1 January 2011	Mandatory
AASB 2010-5 'Amendments to Australian Accounting Standards' This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. These amendments have no major impact on the requirements of the amended pronouncements.	Applies to annual reporting periods beginning on or after 1 January 2011	Mandatory
AASB 2010-6 'Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets' Makes amendments to AASB 7 'Financial Instruments: Disclosures' resulting from the IASB's comprehensive review of off balance sheet activities. The amendments introduce additional disclosures, designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. *Note: In the first year of application, comparative information is not required.*	Applies to annual periods beginning on or after 1 July 2011	Mandatory

New or revised requirement	When effective	Applicability to 30 June 2012 full years
AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets' Amends AASB 112 Income Taxes to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in AASB 140 'Investment Property' will, normally, be through sale. As a result of the amendments, Interpretation 112 'Income Taxes - Recovery of Revalued Non-Depreciable Assets' would no longer apply to investment properties carried at fair value. The amendments also incorporate into AASB 112 the remaining guidance previously contained in Interpretation 112, which is accordingly withdrawn.	Applicable to annual periods beginning on or after 1 January 2012	Optional
AASB 2010-9 'Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters' Amends AASB 1 'First-time Adoption of Australian Accounting Standards' to: • Replace references to a fixed date of '1 January 2004' with 'the date of transition to Australian Accounting Standards', thereby providing relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards • Provide guidance for entities emerging from severe hyperinflation either to resume presenting Australian-Accounting-Standards financial statements or to present Australian-Accounting-Standards financial statements for the first time. *Note: This amendment, particularly in relation to 'fixed dates', may be relevant for entities moving to 'Tier 1' under the AASB's revised differential reporting framework.*	Applicable to annual periods beginning on or after 1 July 2011	Mandatory (for first-time adopters)
AASB 2010-10 'Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters' Amends AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)' to replace references to a fixed date of '1 January 2004' with 'the date of transition to Australian Accounting Standards', thereby providing relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards. *Early application of the amendments in this Standard is permitted in accordance with the early application provisions of AASB 2009-11 or AASB 2010-7, as relevant.*	Applicable to annual reporting periods beginning on or after 1 January 2013	Optional (for first-time adopters)

New or revised requirement	When effective	Applicability to 30 June 2012 full years
AASB 2011-3 'Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments' This Standard makes amendments to AASB 1049 'Whole of Government and General Government Sector Financial Reporting' to amend the definition of the ABS GFS Manual, provide relief from adopting the latest version of the ABS GFS Manual, and require related disclosures where the latest version of the ABS GFS Manual has not been applied.	Applicable to annual reporting periods beginning on or after 1 July 2012	Optional
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements' Amends AASB 124 'Related Party Disclosures' to remove the individual key management personnel (KMP) disclosures required by Australian specific paragraphs. Such disclosures are more in the nature of governance disclosures that are better dealt with as part of the Corporations Act 2001.	Applicable to annual reporting periods beginning on or after 1 July 2013	n/a (early adoption is not allowed)
AASB 2011-5 'Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation' Extends relief from consolidation, the equity method and proportionate consolidation to not-for-profit entities in particular circumstances, by removing the requirement for the consolidated financial statements prepared by the ultimate or any intermediate parent entity to be IFRS compliant, provided that the parent entity, investor or venturer and the ultimate or intermediate parent entity are not-for-profit entities that comply with Australian Accounting Standards.	Applicable to annual reporting periods beginning on or after 1 July 2011	Mandatory
AASB 2011-6 'Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements' Extends relief from consolidation, the equity method and proportionate consolidation to Tier 2 entities in particular circumstances, by removing the requirement for the consolidated financial statements prepared by the ultimate or any intermediate parent entity to be IFRS compliant, provided that the parent entity, investor or venturer and the ultimate or intermediate parent entity comply with Australian Accounting Standards or Australian Accounting Standards – Reduced Disclosure Requirements. *Note: Early adoption permitted provided that AASB 1053 'Application of Tiers of Australian Accounting Standards' is also adopted early for the same period.*	Applicable to annual reporting periods beginning on or after 1 July 2013	Optional (see note regarding early adoption)

New or revised requirement	When effective	Applicability to 30 June 2012 full years
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards' Contains consequential amendments to 20 other standards and 4 interpretations in light of the issuance of the new standards in August 2011 - AASB 10 'Consolidated Financial Statements', AASB 11 'Joint Arrangements', AASB 12 'Disclosure of Interests in Other Entities', AASB 127 'Separate Financial Statements' (2011) and AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'. *Note: Entities early adopting this standard must also adopt the other standards included in the 'suite of six' standards on consolidation, joint arrangements and disclosures: AASB 10 'Consolidated Financial Statements', AASB 11 'Joint Arrangements', AASB 12 'Disclosure of Interests in Other Entities', AASB 127 'Separate Financial Statements' (2011), AASB 128 'Investments in Associates and Joint Ventures' (2011), and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'.*	Applicable to annual reporting periods beginning on or after 1 January 2013	Optional (see note regarding early adoption)
AASB 2011-9 'Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income' These amendments arise from the issuance of the IASB Standard 'Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)' in June 2011. The amendments: • Requires entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments) • Require tax associated with items presented before tax to be shown separately for each of the two groups of OCI items (without changing the option to present items of OCI either before tax or net of tax).	Applicable to annual reporting periods beginning on or after 1 July 2012	Optional
AASB 2011-13 'Amendments to Australian Accounting Standard – Improvements to AASB 1049' Amends some of the requirements in AASB 1049 'Whole of Government and General Government Sector Financial Reporting' to improve that standard at an operational level.	Applicable to annual reporting periods beginning on or after 1 July 2012	Optional

New and revised Interpretations

New or revised requirement	When effective	Applicability to 30 June 2012 full years
Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine' (and related 'AASB 2011-12 Amendments to Australian Accounting Standards arising from Interpretation 20') Clarifies the requirements for accounting for stripping costs associated with waste removal in surface mining, including when production stripping costs should be recognised as an asset, how the asset is initially recognised, and subsequent measurement.	Applies to annual periods beginning on or after 1 January 2013	Optional

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

New or revised requirement	When effective	Applicability to 30 June 2012 full years
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) Address inconsistencies in current practice when applying the offsetting criteria in IAS 32 'Financial Instruments: Presentation'. Clarifies the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. *Note: Entities early adopting this standard must also adopt 'Disclosures – Offsetting Financial Assets and Financial Liabilities' (Amendments to IFRS 7)*	Applicable to annual periods beginning on or after 1 January 2014	Optional (once equivalent amendments are made by the AASB)
Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) Amends IFRS 7 'Financial Instruments: Disclosures' to require an entity to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.	Applicable to annual periods beginning on or after 1 January 2013	Optional (once equivalent amendments are made by the AASB)
Mandatory Effective Date of IFRS 9 and Transition Disclosures (Amendments to IFRS 9 and IFRS 7) Defers the mandatory effective date of both the 2009 and 2010 versions of IFRS 9 'Financial Instruments' to annual periods beginning on or after 1 January 2015. Entities are either permitted or required to provide additional disclosures on transition from IAS 39 to IFRS 9 on the basis of the entity's date of adoption and if the entity chooses to restate prior periods.	Applicable to annual periods beginning on or after 1 January 2015	Optional (once equivalent amendments are made by the AASB)

New or revised requirement	When effective	Applicability to 30 June 2012 full years
'Government Loans (Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards)' Gives first-time adopters of IFRSs relief from full retrospective application of IFRSs when accounting for government loans received at a below market rate of interest on transition. First-time adopters shall apply the requirements in IFRS 9 'Financial Instruments' and IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance' prospectively to government loans existing at the date of transition to IFRSs. This means that first-time adopters may not recognise the corresponding benefit of the government loan at a below-market rate of interest as a government grant, unless the information needed to do so had been obtained at the time of initial accounting for the loan. It gives first-time adopters the same relief as existing preparers of IFRS financial statements.	Applicable to annual periods beginning on or after 1 January 2013	Optional (once equivalent amendments are made by the AASB)
Conceptual Framework for Financial Reporting First phase of the IASB and FASB joint project to develop an improved revised conceptual framework for International Financial Reporting Standards (IFRSs) and US generally accepted accounting practices (US GAAP). The first phase deals with the objective and qualitative characteristics of financial reporting, incorporating the following chapters: • Chapter 1 *The objective of financial reporting* • Chapter 3 *Qualitative characteristics of useful financial information* • Chapter 4 *The 1989 Framework: the remaining text*. *Note: The Conceptual Framework project is being conducted in phases. As a chapter is finalised, the relevant paragraphs in the 'Framework for the Preparation and Presentation of Financial Statements' that was published in 1989 will be replaced. Chapter 2 will deal with the reporting entity concept.*	The *Conceptual Framework* is not an IFRS and hence does not define standards for any particular measurement or disclosure issue. Nothing in the *Conceptual Framework* overrides any specific IFRS	Applicable once equivalent Framework adopted by the AASB
Editorial Corrections (various) The IASB periodically issues Editorial Corrections and changes to IFRSs and other pronouncements. Since June 2011, such corrections have been made October 2011, November 2011 and February 2012.	As minor editorial corrections, these changes are effectively immediately applicable under IFRS	Optional (once equivalent amendments are made by the AASB)

Corporations Act 2001 developments

Development	When effective
Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011 Amends the *Corporations Act 2001* to address conflicts of interest that exist in the remuneration setting process and to promote a culture of responsible remuneration practices. The *Corporations Amendments Regulations 2011 (No. 2)* has also been issued which amends the *Corporations Regulations 2001* to support changes made by the *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011*. The key measures to improve the remuneration framework include: • **Two strikes test** - strengthening the non-binding vote on remuneration through the introduction of a 'two strikes' test, by giving shareholders the opportunity to remove directors if the company's remuneration report has received a 'no' vote of 25 per cent or more at two consecutive annual general meetings • **Accountability and transparency** - introducing rules and disclosure requirements for remuneration recommendations by remuneration consultants • **Eliminating conflicts of interest** - by prohibiting key management personnel (KMP) and their closely related parties from participating in the vote on the remuneration of KMP and the resolution to 'spill' the board. They are also prohibited from voting undirected proxies on all remuneration resolutions except in limited circumstances • **Link between remuneration and performance** - to be closely linked by prohibiting directors and executives from hedging their incentive remuneration • **AGM** - requiring shareholder agreement for declarations of 'no vacancy' at an annual general meeting, in cases where the number of board positions filled is less than the maximum number specified in the company's constitution and requiring any directed proxies that are not voted by the proxyholder (in certain circumstances) to automatically default to the Chair of the meeting, who must vote all directed proxies *Note: ASIC has released guidance on how companies should apply the new rules concerning the voting by the chairperson of undirected proxies on remuneration reports at AGM's* • **Remuneration disclosure** - confining remuneration disclosures to the KMP of the entity by eliminating the inclusion of top 5 highest remunerated executives in the disclosures.	The Act received assent on 27 June 2011 with amendments contained in the legislation generally commencing on 1 July 2011
ASIC Regulatory Guide 230 'Disclosing non-IFRS financial information' [RG 230] Provides guidance on disclosure of non-IFRS (International Financial Reporting Standards) financial information. Non-IFRS financial information can provide useful information to investors and other users. However, it may increase the risk of misleading disclosure. This guidance would assist directors and preparers of financial information in reducing this risk, and the guidance includes: • giving equal or greater prominence to IFRS financial information; • explaining the non-IFRS information and reconciling it to the IFRS financial information; • calculating the information consistently from period to period; and • not using information to remove 'bad news'.	Issued 9 December 2011

Other developments

The following are other developments that may have direct or indirect impacts on financial reporting:

- At the date this document was last updated, the Australian Securities & Investments Commission (ASIC) had not yet released its focus areas for the June 2012 reporting season. If past practice is followed, it is likely ASIC will announce its focus areas in late June or early July. In December 2011, ASIC released its review of 30 June 2011 financial reports and focuses for 31 December 2011. These areas will continue to be instructive for the June 2012 reporting season. Some of the key areas noted in the December guidance include:
  - reporting performance and business drivers - operating and financial review, non-IFRS profits, segment reporting
  - current market conditions - going concern, asset impairment, fair value of assets, asset and liability classification, financial instruments disclosures, disclosures for estimates and accounting policy judgements
  - other matters - impacts of new accounting standards, off balance sheet arrangements, Mineral Resource Rent Tax (MRRT) legislation, rights to future income, and intangible asset revaluation
- ASIC has released remuneration report review findings after examining the narrative content of the remuneration report and its compliance with section 300A of 50 companies in the ASX300 for the year ended 30 June 2011. ASIC conducted this review to measure and identify areas where companies could improve their disclosure to shareholders. Some of the key areas of improvement identified include:
  - the board's policy on the nature and amount of remuneration of the key management personnel (KMP)
  - the non-financial performance conditions in short-term incentive plans
  - why performance conditions have been chosen
  - the terms and conditions of incentive plans

  ASIC has called for companies to provide more clarity on the remuneration arrangements for their directors and executives and to assist them in the preparation of future remuneration reports, the ASIC report includes some of the better examples of disclosures observed during the review in the key areas mentioned above
- ASX has clarified the position on carbon tax disclosures, that the obligation to make a disclosure under Listing Rule 3.1 will arise if, following a consideration and analysis of the effect of the proposed carbon tax and associated measures, a listed entity forms the view that the impact of the tax on the entity is materially price sensitive. Until the entity becomes aware of the materiality of the incidence of the proposed carbon tax, there would not be an obligation to disclose. For more information, refer to
  ASX Companies Update 05/11
- ASX has confirmed that listing rules concerning the composition of the remuneration committee for listed entities in the S&P/ASX 300, came into effect on 1 July 2011. Under Listing rule 12.8 (PDF 76kb), a listed entity included in the S&P/ASX 300 at the beginning of its financial year must have a remuneration committee comprised solely of non-executive directors for the whole year. For more information, refer to ASX Companies Update 05/11
- On 30 June 2010, the ASX Corporate Governance Council released amendments to the 2nd edition of the Corporate Governance Principles and Recommendations in relation to diversity, remuneration, trading policies and briefings. The change in the reporting requirements for each of the amendments to the Principles and Recommendations will apply to an entity's first financial year commencing on or after 1 January 2011. For more information, refer to ASX Companies Update 08/10.

Online resources

Deloitte Australia website

The landscape of regulatory and accounting requirements is ever evolving as a result of new developments. New challenges – and opportunities – arise on an almost daily basis: International Financial Reporting Standards, Corporations law changes, carbon, best practice Corporate Governance, and the list goes on. Responding to these challenges and making the most of the opportunities they present is a critical objective of boards, audit committees and senior management alike.

Access to information about these important developments and understanding their practical and commercial implications is a crucial part of your organisation's response. In this regard, our Assurance and Advisory website assists you with hot topics, easy navigation, expert accounting technical information (including archives) and more detailed information about our services. The site and content is designed to assist you quickly find the information suited to your needs.

Our site is available at www.deloitte.com/au/AssuranceAdvisory.

In keeping with the theme of easy access to critical information, you can also use our Quick links to get to the information on topics of key importance to you, such as:

- Monthly Roundups of financial reporting developments – www.deloitte.com/au/MonthlyRoundup
- Advisory Services – www.deloitte.com/au/AdvisoryServices
- Carbon Reporting – www.deloitte.com/au/CarbonReporting
- Accounting-related information – www.deloitte.com/au/Accounting

Our most popular quick links can be found here – www.deloitte.com/au/QuickLinks and you can easily bookmark your favourites from this page.

IAS Plus website

Our IAS Plus website 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, International Financial Reporting Standards, and international accounting and auditing in general.

Access the site at www.iasplus.com

Other websites

- AASB – www.aasb.gov.au
- ASIC – www.asic.gov.au
- ASX – www.asx.com.au
- IASB – www.ifrs.org
- FASB – www.fasb.org (in addition to US-GAAP information, contains information on joint IASB/FASB projects)