

Working Draft

# WORKING DRAFT

Exposure Draft

AASB ED XX  
FRSB ED XX  
(Insert date)

Trans-Tasman Convergence

Proposed Amendments to Align AASBs and NZ IFRSs with IFRSs

Prepared by the  
Australian Accounting Standards Board  
and by the  
Financial Reporting Standards Board of the New Zealand Institute of Chartered Accountants  
Comments by (insert date)



Australian Government  
Australian Accounting Standards Board

Financial Reporting Standards Board  
of the New Zealand Institute of Chartered Accountants

## Commenting on this Exposure Draft

Comments on this Exposure Draft are requested by (insert date). Comments should be addressed to either the Australian Accounting Standards Board or the Financial Reporting Standards Board of the New Zealand Institute of Chartered Accountants, as follows:

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All submissions received will be considered by both Boards.

It would be appreciated if respondents send their submissions in electronic form (preferably in Microsoft Word format) as this allows for the efficient collation and analysis of comments. Submissions will be made available to the public unless otherwise requested. All non-confidential submissions to the AASB will be made available on the AASB website: [www.aasb.gov.au](http://www.aasb.gov.au).

Respondents are requested to indicate on their submission on whose behalf (for example, own behalf, a group of people or an entity) the submission is being made.

## Obtaining a Copy of this Exposure Draft

This Exposure Draft is available on the AASB website ([www.aasb.gov.au](http://www.aasb.gov.au)) and the NZICA website ([www.nzica.com](http://www.nzica.com)). Alternatively, printed copies of this Exposure Draft are available in Australia by contacting:

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Final version to have the copyright reviewed by NZICA  
General Counsel.

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## Amendments to AASBs and NZ IFRSs

### Introduction

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The Australian Accounting Standards Board (AASB) and Financial Reporting Standards Board (FRSB) are converging Australian and New Zealand accounting standards in stages. The first phase, and the focus of this Exposure Draft, is convergence of Australian and New Zealand Accounting Standards as they apply to for-profit entities. The proposed changes in this Exposure Draft relates to AASB and FRSB '*All Entity*' and NZ '*Profit-Orientated Entity*' only paragraphs. Therefore the proposals in this Exposure Draft may also apply to not-for-profit entities/public benefit entities where they are relevant.

This project is consistent with the Joint Statement by Prime Ministers Rudd and Key on trans-Tasman co-operation and the related Outcome Proposals on financial reporting which stated that entities should be able to use a single set of accounting standards to prepare a single set of financial statements for use in both Australia and New Zealand.

### Timeframe

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The AASB and FRSB propose the following timeframe for completion of this stage of the project:

- (i) Exposure draft issued [day] April 2010
- (ii) Three month comment period ending [day] July 2010
- (iii) Effective date of proposals is periods beginning on or after 1 January 2011.

### Main features of this Exposure Draft

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This Exposure Draft contains the following information:

- (i) the issues not considered at this time;
- (ii) the proposed amendments to Australian and New Zealand accounting standards:
  - a) paragraphs proposed to be removed, added or aligned with IFRSs; and
  - b) paragraphs proposed to be relocated to the separate Australian disclosure standard and the New Zealand disclosure standard.

## Structure of the Exposure Draft for each proposed amendment

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The Exposure Draft includes a chapter for each standard where there is a proposed action. Each chapter includes:

- (i) an explanation of the proposed amendment;
- (ii) the paragraphs of the standard that are affected by the proposed amendment; and
- (iii) the proposed effective date of each proposed amendment.

## Rationale for the proposals in this Exposure Draft

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The AASB and FRSB examined the paragraphs of each standard in which either jurisdiction had modified source IFRSs. They considered each of these modifications and generally applied the following principles:

- (i) when an IFRS paragraph has previously been removed or amended, it is proposed to reinsert the paragraph or realign the wording with source IFRSs;
- (ii) when one or other jurisdiction has an additional requirement to source IFRS it is proposed to be removed, unless there is specific domestic justification for retaining a different disclosure requirement, in which case it is proposed to relocate it to a separate disclosure Standard; or
- (iii) when both jurisdictions have disclosure requirements in addition to the source IFRSs that are considered to remain relevant, it is proposed to converge them and have the converged paragraph and any associated material relocated to a separate disclosure standard. Where it is not possible to converge an existing requirement it is proposed as an additional requirement in that jurisdiction.

Alignment  
Removal  
Relocation

*The coloured bars on the right indicate the proposed action.*

## Issues not considered at this time

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### Standards with projects in progress

The AASB and FRSB have a working principle to defer considering the alignment of any standard that is the subject of a current [AASB, FRSB or IASB] project until after the completion of the that project.

*See page 9 for specific standards not considered at this time and the AASB and FRSB's rationale for deferring consideration.*

## Tier 2 / qualifying entities

The AASB and FRSB have agreed to defer convergence of the differential reporting (Tier 2 / qualifying entity) requirements in both jurisdictions subject to the outcome of the AASB's *Reduced Disclosure Regime* project and the New Zealand Ministry of Economic Development and ASRB's review *The Statutory Framework for Financial Reporting*.

## Not-for-profit and public benefit entities

Other stages of the trans-Tasman Convergence project will deal with convergence of modifications to IFRSs in respect of not-for-profit and public benefit entities subject to the outcome of current work being undertaken on the reporting framework in each jurisdiction.

## Application of proposed amendments

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The Boards propose that the amendments in this Exposure Draft will be applicable for reporting periods beginning on or after 1 January 2011, and that the amendments to each Standard be able to be individually adopted early.

Where an entity elects to early adopt any requirements in this Exposure Draft, it is proposed that it will be mandatory for that entity to early adopt the proposed disclosure standard from the same period.

## Differential reporting exemption

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The AASB and FRSB propose to exempt Tier 2 / qualifying entities from the requirement to comply with the separate disclosure standards.

All but one of the paragraphs proposed to be relocated to the FRSB disclosure standard have not previously had Differential Reporting exemptions. It is the AASB's policy in its Reduced Disclosure Regime project to exempt Tier 2 / qualifying entities from requirements in excess of the requirements of *IFRS for SMEs*. The AASB and the FRSB are proposing Tier 2 / qualifying entity exemptions for all proposed disclosure paragraphs in light of their objective to consider alignment of Australian and New Zealand Tier 2 / qualifying entity accounting requirements during a later stage of the project.

***Do the Boards agree with the proposal to provide Differential Reporting exemptions to all requirements in the separate disclosure standards?***

## Invitation to comment

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The AASB and FRSB invite comments on the proposed amendments. They would particularly welcome answers to the questions set out below. Comments are most helpful if they:

- (i) answer the question as stated;
- (ii) indicate the specific paragraph or paragraphs to which they relate;
- (iii) contain a clear rationale; and
- (iv) describe any alternative the AASB or FRSB should consider.

## General Questions (applicable to all proposed amendments)

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### Question 1

Do you agree with the proposals in this Exposure Draft? Please provide reasons supporting your response.

### Question 2

Are there any regulatory issues or other issues arising in the Australian or New Zealand environment that may affect the implementation of the proposals? Please provide reasons for your response.

### Question 3

Do you consider that the proposed amendments are in the best interests of users of general purpose financial statements of entities in Australia and New Zealand? Please provide reasons for your response.

Respondents do not need to comment on all of the proposed amendments or all of the questions for any amendment. The AASB and FRSB are not requesting comments on matters they have not addressed in this Exposure Draft.

The AASB and FRSB will consider all comments received in writing by (insert date). In considering the comments, the AASB and FRSB will base their conclusions on the merits of the arguments for and against each alternative, not on the number of respondents supporting each alternative.

It would be appreciated if respondents send their submissions in electronic form (preferably in Microsoft Word format) as that allows for the efficient collation and analysis of comments. All submissions will be made available to the public unless otherwise requested.

Respondents are requested to indicate, on their submission, on whose behalf (for example, own behalf, a group of people or an entity) the submission is being made.

## Standards not addressed by this Exposure Draft

The AASB and FRSB have deferred considering alignment of the following standards until the relevant projects have been completed.

Standard	Reason for not considering alignment in this ED
<p>AASB <i>Framework for the Preparation and Presentation of Financial Statements</i>, including AASB 1031 <i>Materiality</i></p> <p>New Zealand Equivalent to the IASB <i>Framework for the Preparation and Presentation of Financial Statements</i></p>	<p>The AASB and FRSB propose to defer consideration of the <i>Framework</i> until after the conclusion of the IASB's <i>Conceptual Framework</i> project.</p>
<p>AASB 4 <i>Insurance Contracts</i></p> <p>AASB 1023 <i>General Insurance Contracts</i></p> <p>AASB 1038 <i>Life Insurance Contracts</i></p> <p>NZ IFRS 4 <i>Insurance Contracts</i></p>	<p>The AASB and FRSB propose to defer consideration of these Standards until after the conclusion of the IASB's <i>Insurance Contracts Phase 2</i> project.</p>
<p>AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i></p> <p>NZ IFRS 6 <i>Exploration for and Evaluation of Mineral Resources</i></p>	<p>The AASB and FRSB propose to defer consideration of these Standards until after the conclusion of the IASB's comprehensive research project on <i>Extractive Activities</i>.</p>
<p>AASB 7 <i>Financial Instruments: Disclosures</i></p>	<p>The AASB proposes to defer consideration of the addition of the disclosure paragraph relating to cross-referencing material outside the financial statements until after the AASB has held discussions with the relevant parties to consider how to best address this matter.</p>
<p>NZ IFRS 7 <i>Financial Instruments: Disclosures</i></p>	<p>The FRSB proposes to defer consideration of Appendix E of NZ IFRS 7 <i>Financial Instruments: Disclosures</i> until after the FRSB has held discussions with the relevant parties to consider how to best address this matter.</p>
<p>AAS 25 <i>Financial Reporting by Retirement Benefit Plans</i></p>	<p>The AASB proposes to defer consideration of this Standard until after the conclusion of the AASB's comprehensive review of the Standard.</p>
<p>NZ IAS 26 <i>Accounting and Reporting by Retirement Benefit Plans</i></p>	<p>The FRSB proposes to defer consideration of this Standard until after the conclusion of the ED 120 Proposed Amendments to NZ IAS 26 <i>Accounting and Reporting by Retirement Benefit Plans</i>.</p>

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Standard	Reason for not considering alignment in this Exposure Draft
AASB 124 <i>Related Party Disclosures</i>	The AASB proposes to defer consideration of any proposed amendments to this Standard until after the AASB has held discussions with the relevant parties to consider how to best address this matter.
AASB 127 <i>Consolidated and Separate Financial Statements</i> NZ IAS 27 <i>Consolidated and Separate Financial Statements</i>	The AASB and the FRSB propose to defer consideration of these standards until after they have held discussions with the relevant parties to consider how to best address the requirement for an intermediate parent that is the ultimate Australian/New Zealand parent to prepare consolidated financial statements.
AASB 1048 <i>Application and Interpretation of Standards</i> and AASB Interpretations that have no IASB equivalent	The AASB is undertaking a separate exercise to review the need for its few remaining domestic interpretations. No action is proposed to be taken until the conclusion of the review.
FRS-42 <i>Prospective Financial Statements</i>	The FRSB can at its discretion develop standards for application within its jurisdiction, where there is no equivalent IFRS. This standard addresses situations that are outside the scope of IFRSs.
AASB 1039 <i>Concise Financial Reports</i>	This Standard will remain while the Australian <i>Corporations Act 2001</i> permits entities to prepare concise financial reports and will not be considered as part of this project.
FRS-43 <i>Summary Financial Statements</i>	The FRSB can at its discretion develop standards for application within its jurisdiction, where there is no equivalent IFRS. This standard addresses situations that are outside the scope of IFRSs.

## AASBs and NZ IFRSs addressed

The following table shows the topics addressed by these proposed amendments. A tick means that the guidance/requirement appears in the Standard, and a cross means it does not. The '*tick / cross*' columns in the table below are for the Boards' use only and may not be included in the final version of the Exposure Draft.

Standard	Subject of Amendment	IFRS	AASB	NZ IFRS
AASB 1 <i>First-time Adoption of Australian Accounting Standards</i>	Removal of the explanatory guidance relating to initial application of the standard	X	✓	X
AASB 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	Removal of the clarification of the requirement to restate comparative information	X	✓	X
AASB 101 <i>Presentation of Financial Statements</i>	Relocation of the definitions with specified meanings used in the standard	X	✓	X
	Removal of additional guidance relating to a true and fair view	X	✓	X
	Relocation of the disclosure requirements to assert whether the accounts have been prepared in accordance with Australian Accounting Standards	X	✓	X
	Relocation of the disclosure requirements to provide information on the statutory base and other related information	X	✓	X
	Removal of the disclosures relating to GPFS or SPFS	X	✓	X
	Relocation of guidance the relating to limited explicit unreserved statement of compliance	X	✓	X
	Amendment by reinstating guidance relating to true and fair over-ride	✓	X	✓
	Removal of requirement for presentation in English	X	✓	X
	Relocation of audit fee disclosures to the separate disclosure standard	X	✓	✓
	Relocation of the disclosures relating to franking credit disclosures	X	✓	X
	Removal of disclosure requirements relating to capital and expenditure commitments	X	✓	X
NZ IAS 1 <i>Presentation of Financial Statements</i>	Relocation of definitions relating to the 'Statement of Service Performance'	X	X	✓
	Removal of explanatory guidance relating to the presentation of a financial report	X	X	✓
	Relocation of disclosures relating to the nature of the reporting entity	X	X	✓
	Removal of application guidance relating to compliance with the Financial Reporting Act	X	X	✓
	Relocation of disclosures relating to asserting	X	X	✓

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Standard	Subject of Amendment	IFRS	AASB	NZ IFRS
	compliance with NZ IFRSs			
	Removal of regulatory guidance relating to Financial Reporting Act true and fair over-ride	X	X	✓
	Removal of application guidance relating to prospective financial statements	X	X	✓
	Relocation of audit fee disclosures	X	✓	✓
	Removal of disclosure of donations made	X	X	✓
	Removal of application guidance relating to the presentation order of certain disclosures	X	X	✓
	Relocation of application guidance relating to elements in the Statement of Service Performance	X	X	✓
AASB 107 <i>Statement of Cash Flows</i>	Relocation of reconciliation of cash flows arising from operating activities to profit or loss	X	✓	✓
NZ IAS 7 <i>Statement of Cash Flows</i>	Amendment to reinstate the indirect method of reporting cash flows from operating activities	✓	✓	X
	Relocation of reconciliation of cash flows arising from operating activities to profit or loss	X	✓	✓
	Removal of disclosure of reasons for presentation of receipts and payments as a net cash flow	X	X	✓
AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	Removal of guidance relating to restatement of comparative information	X	✓	X
NZ IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	Removal of definitions relating to NZ IFRSs	X	X	✓
	Removal of disclosures relating to changes in significant accounting policies	X	X	✓
AASB 112 <i>Income Taxes</i>	Removal of guidance relating to 'income tax equivalents'	X	✓	X
NZ IAS 12 <i>Income Taxes</i>	Removal of definitions relating to NZ tax terms	X	X	✓
	Relocation and alignment of disclosures relating to imputation credits and dividend withholding payment credits	X	X	✓
NZ IAS 16 <i>Property, Plant and Equipment</i>	Removal of guidance relating to using the cost model for investment properties under certain circumstances	X	X	✓
	Removal of disclosures relating to independent valuation	X	X	✓
NZ IAS 19 <i>Employee Benefits</i>	Amendment to the transition provisions	✓	X	X
NZ IAS 20 <i>Accounting for Government Grants and Disclosure of</i>	Removal of guidance relating to disclosure of government grants	X	X	✓

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Standard	Subject of Amendment	IFRS	AASB	NZ IFRS
<i>Government Assistance</i>				
AASB 121 <i>The Effects of Changes in Foreign Exchange Rates</i>	Removal of requirement to present a financial report drawn up in one presentation currency	X	✓	X
AASB 128 <i>Investments in Associates</i>	Removal of guidance relating to restatement of comparative information	X	✓	X
NZ IAS 28 <i>Investments in Associates</i>	Removal of aggregate disclosures if the equity method is applied	X	X	✓
NZ IAS 31 <i>Interests in Joint Ventures</i>	Removal of clarification of requirements	X	X	✓
AASB 134 <i>Interim Financial Reporting</i>	Amendment to the scope	✓	X	X
NZ IAS 34 <i>Interim Financial Reporting</i>	Amendment to the scope	✓	X	X
	Removal of guidance relating to complying with all the requirements of the standard	X	X	✓
	Removal of reference to NZ IAS 1	X	X	✓
	Removal of additional line item disclosures required for condensed financial statements	X	X	✓
	Relocation of disclosures relating to asserting compliance with other applicable Financial Reporting Standards	X	X	✓
	Removal of the requirement to present a comparative statement of financial position	X	X	✓
NZ IAS 40 <i>Investment Property</i>	Amendment by reinstatement of the option to account for investment property using either the cost model or the fair value model	✓	✓	X
	Removal of disclosures relating to valuations of investment property	X	X	✓
Interpretation 2 <i>Members' Shares in Co-operative Entities and Similar Instruments</i>	Removal of guidance relating to cancellation of membership of non-active members	X	✓	X
Interpretation 112 <i>Consolidation – Special Purpose Entities</i>	Removal of guidance relating to prohibition of a company from acquiring shares in itself	X	✓	X
Interpretation 113	Removal of guidance relating to recognition of an elimination of an unrealised gain or loss	X	✓	X

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Standard	Subject of Amendment	IFRS	AASB	NZ IFRS
<i>Jointly Controlled Entities – Non-monetary Contributions by Venturers</i>				

## AASB 1 *First-time Adoption of Australian Accounting Standards*

*The format of this page is the standard format for each of the proposals in this Exposure Draft.*

*Do the Boards consider that the format is appropriate? If no, what specific feedback do the Boards wish to provide staff?*

*Do the Boards consider that a specific justification is required to support the proposed action?*

*Staff view is that the principles on page 6 of this document are sufficient.*

### Introduction

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The AASB proposes the following amendments to AASB 1 *First-time Adoption of Australian Accounting Standards*.

### Explanatory guidance relating to the initial application of the Standard

The AASB proposes to remove paragraph Aus3.1.

Paragraph Aus3.1 is proposed to be removed (proposed deleted text is struck through).

*Do the Boards agree with the proposed action outlined above?*

### Explanatory guidance relating to the initial application of the Standard

Aus3.1 ~~The conditions specified in paragraph 3 for the application of this Standard are satisfied when the first financial statements after this Standard becomes effective contain a statement that the financial statements comply with Australian Accounting Standards, in accordance with paragraph Aus15.2 of AASB 101.~~

Removal

### Effective date and transition

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An entity shall apply this amendment for annual periods beginning on or after 1 January 2011. Earlier adoption is permitted. If an entity applies this amendment for an earlier period it shall disclose that fact.

## ***AASB 5 Non-current Assets Held for Sale and Discontinued Operations***

### **Introduction**

---

The AASB proposes the following amendments to AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*.

### **Restatement of Comparative Information**

The AASB proposes to remove paragraph Aus1.8.

Paragraph Aus1.8 is proposed to be removed (proposed deleted text is struck through).

*Do the Boards agree with the proposed action outlined above?*

### **Restatement of comparative information**

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Aus1.8 ~~A requirement in an Australian Accounting Standard to restate comparative information does not, of itself, give rise to a requirement to replace the original financial statements for the preceding period.~~

Removal

### **Effective date and transition**

---

An entity shall apply this amendment for annual periods beginning on or after 1 January 2011. Earlier adoption is permitted. If an entity applies this amendment for an earlier period it shall disclose that fact.

## **AASB 101 *Presentation of Financial Statements***

### **Introduction**

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The AASB proposes the following amendments to AASB 101 *Presentation of Financial Statements*.

#### **Definitions with specified meanings**

The AASB proposes to relocate paragraph Aus7.1.

#### **Additional guidance relating to true and fair view**

The AASB proposes to remove paragraphs Aus15.1.

#### **Compliance with Australian Accounting Standards**

The AASB proposes to relocate paragraph Aus15.2.

#### **Disclosure of the statutory basis**

The AASB proposes to relocate paragraph Aus15.3.

#### **Disclosure of GPFS or SPFS**

The AASB proposes to remove paragraph Aus15.4.

#### **Limited unreserved statement of compliance**

The AASB proposes to relocate paragraph Aus16.1.

#### **True and fair over-ride**

The AASB proposes a partial amendment to paragraph 17.

#### **Presentation in English**

The AASB proposes to remove paragraph Aus50.1.

#### **Audit fee disclosures**

The AASB proposes to relocate the disclosures relating to under paragraph Aus138.1 to Aus138.2.

#### **Franking credit disclosures**

The AASB proposes to relocate the disclosures relating to franking credits in paragraph Aus138.3 to Aus138.5.

#### **Commitments**

The AASB proposes to remove the commitments disclosures paragraph Aus138.6.

Paragraphs Aus15.1, Aus15.4, Aus50.1, and Aus138.6 are proposed to be removed (proposed deleted text is struck through).

Paragraph 17 is proposed to be partially amended to align with IFRS (proposed new text is underlined).

Paragraphs Aus7.1, Aus15.2, Aus15.3, Aus16.1, and Aus138.1 to Aus138.5 are proposed to be relocated to the separate disclosure standard (paragraph is struck through and reworded and included in the separate disclosure standard).

*Do the Boards agree with the proposed actions outlined above?*

## Definitions with meanings specified<sup>1</sup>

Aus7.1 — The following terms are also used in this Standard with the meanings specified.

~~Annual reporting period means the financial year or similar period to which annual financial statements relate.~~

~~Entity means any legal, administrative, or fiduciary arrangement, organisational structure or other party (including a person) having the capacity to deploy scarce resources in order to achieve objectives.~~

~~Related practice means in relation to the auditor's practice:~~

~~(a) — an entity through which an auditor provides professional services to clients and that has one or more partners or directors in common with the auditor's practice; or~~

~~(b) — an entity that is owned by the relatives of one or more partners of the auditor's practice and that shares fees or profits with the auditor's practice in respect of the entity that is subject to the financial reporting obligation; or~~

~~(c) — any other entity that shares fees or profits with the auditor's practice in respect of the entity that is subject to the financial reporting obligation.~~

~~Special purpose financial statements (referred to as 'financial statements') are financial statements other than general purpose financial statements.~~

Relocation

## Additional guidance relating to fair presentation

Aus15.1 — ~~The Corporations Act requires an entity's financial report to comply with Australian Accounting Standards and, if necessary to give a true and fair view, further information to be disclosed in the notes.~~

Removal

<sup>1</sup> Those parts of this paragraph that refer to 'special purpose financial reporting' may subsequently change as a result of the outcome of ED 192 Revised Differential Reporting Framework.

## Compliance with Australian Accounting Standards<sup>2</sup>

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~~Aus15.2 — An entity shall disclose in the notes a statement whether the financial statements have been prepared in accordance with Australian Accounting Standards.~~

Relocation

**Note to readers:** *this paragraph may subsequently change as a result of the outcome of ED 192 Revised Differential Reporting Framework.*

## Disclosure of the statutory basis<sup>3</sup>

---

~~Aus15.3 — The financial reporting framework applied in the preparation of the financial statements is identified in the summary of accounting policies so that users understand the basis on which the financial statements has been prepared. In addition to stating whether the financial statements have been prepared in accordance with Australian Accounting Standards, it may also be appropriate to indicate the relevant statutory and other requirements adopted in the preparation of the financial statements.~~

Relocation

## Disclosure of GPFS or SPFS

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~~Aus15.4 — An entity shall disclose in the notes that the financial statements are general purpose financial statements, or if applicable, special purpose financial statements.~~

Removal

## Limited unreserved statement of compliance

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~~Aus16.1 — Where an entity can make the explicit and unreserved statement of compliance in respect of only:~~

- ~~(a) — the parent financial statements and notes; or~~
- ~~(b) — the consolidated financial statements and notes;~~

~~the entity shall make the explicit and unreserved statement of compliance in accordance with paragraph 16 and clearly identify to which financial statements and notes it relates.~~

Relocation

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<sup>2</sup> The proposed disclosure standard contains a proposal to align this disclosure requirement between Australia and New Zealand.

<sup>3</sup> The proposed disclosure standard contains a proposal to align this disclosure requirement between Australia and New Zealand.

## True and fair over-ride

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17 In virtually all circumstances, an entity achieves a fair presentation by compliance with applicable full IFRSs as adopted in Australia. A fair presentation also requires an entity:

- (a) to select and apply accounting policies in accordance with AASB108 *Accounting Policies, Changes in Accounting Estimates and Errors*. AASB 108 sets out a hierarchy of authoritative guidance that management considers in the absence of an Australian Accounting Standard that specifically applies to an item;
- (b) to present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- (c) to provide additional disclosures when compliance with the specific requirements in Australian Accounting Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Alignment

## Requirement to present in English

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Aus50.1 ~~The financial statements shall be presented in the English language.~~

Removal

## Audit fee disclosures<sup>4</sup>

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- Aus138.1 ~~— An entity, other than a group, shall disclose the amounts paid or payable to:~~
- ~~(a) the auditor of the entity for an audit or a review of the financial statements of the entity;~~
  - ~~(b) the auditor of the entity for non-audit services in relation to the entity, disclosing separately the nature and amount of each of the non-audit services provided by the auditor; and~~
  - ~~(c) a related practice of the auditor for non-audit services in relation to the entity, disclosing separately the nature and amount of each category of non-audit service.~~
- Aus138.2 ~~— The following information shall be disclosed in relation to a group, the amounts paid or payable to:~~
- ~~(a) the auditor of the parent of the group, for an audit or a review of the financial statements of any entity in the group;~~
  - ~~(b) the auditor of the parent of the group, for non-audit services in relation to any entity in the group, disclosing separately the nature and amount of each of the non-audit services provided by the auditor;~~
  - ~~(c) a related practice of the auditor of the parent of the group, for non-audit services in relation to any entity in the group, disclosing separately the nature and amount of each of the non-audit services provided by the auditor;~~
  - ~~(d) the auditors of the subsidiaries in the group, other than those disclosed in accordance with paragraph Aus126.2(a), for an audit or a review of the financial statements of those subsidiaries;~~
  - ~~(e) the auditors of the subsidiaries in the group, other than those disclosed in accordance with paragraphs Aus126.2(b) and (c), for non-audit services in relation to any entity in the group, disclosing separately the nature and amount of each of the non-audit services provided by the auditor; and~~
  - ~~(f) a related practice of the auditors of the subsidiaries in the group, other than those disclosed in accordance with paragraphs Aus126.2(b) and (c), for non-audit services in relation to any entity in the group, disclosing separately the nature and amount of each of the non-audit services provided by the auditor.~~

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<sup>4</sup> The proposed disclosure standard contains a proposal to align this disclosure requirement between Australia and New Zealand.

## Franking credit disclosures<sup>5</sup>

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~~Aus138.3 — An entity shall disclose for each class of shares included in equity, where either dividends payable were first recognised as a liability during the reporting period or dividends were paid during the reporting period without previously being recognised as a liability:~~

- ~~(a) — the amount, in aggregate and per share, of those dividends that have been or will be franked and the tax rate at which those dividends have been or will be franked; and~~
- ~~(b) — the amount, in aggregate and per share, of those dividends that have not been or will not be franked.~~

~~Aus138.4 — An entity shall disclose the amount of franking credits available for subsequent reporting periods to the equity holders in the entity if it is not a group or the parent in a group, by disclosing the balance of the franking account as at the reporting date, adjusted for:~~

- ~~(a) — franking credits that will arise from the payment of the amount of the provision for income tax;~~
- ~~(b) — franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and~~
- ~~(c) — franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.~~

~~Aus138.5 — An entity shall disclose the impact on the franking account of dividends proposed or declared before the financial statements were authorised for issue but not recognised as a distribution to equity holders during the period.~~

## Commitments disclosures

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~~Aus138.6 — An entity shall disclose the nature and amount of each individual and each class of capital commitments and of other expenditure commitments contracted for as at the reporting date, other than commitments for the supply of inventories, which have not been recognised as liabilities. The disclosures shall be made in the following time bands, according to the time that is expected to elapse from the reporting date to their expected date of settlement:~~

- ~~(a) — within twelve months;~~
- ~~(b) — twelve months or longer and not longer than five years; and~~
- ~~(c) — longer than five years.~~

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<sup>5</sup> *The proposed disclosure standard contains a proposal to align this disclosure requirement between Australia and New Zealand.*

## Effective date and transition<sup>6</sup>

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An entity shall apply these amendments for annual periods beginning on or after 1 January 2011. Earlier adoption is permitted. If an entity applies these amendments for an earlier period it shall disclose that fact.

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<sup>6</sup> *Where an entity elects to early adopt any proposal contained in this Exposure Draft, it is proposed that it will be mandatory for that entity to early adopt the proposed disclosure standard from the same period.*

## **NZ IAS 1 *Presentation of Financial Statements***

### **Introduction**

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The FRSB proposes the following amendments to NZ IAS 1 *Presentation of Financial Statements*.

### **Definitions relating to the Statement of Service Performance**

The FRSB proposes to relocate paragraph NZ 8.1.

### **Presentation of a financial report**

The FRSB proposes to remove paragraph NZ 14.1.

### **Nature of the reporting entity**

The FRSB proposes to relocate paragraph NZ 15.1.

### **Compliance with the Financial Reporting Act**

The FRSB proposes to remove paragraph NZ 15.2.

### **Compliance with NZ IFRSs**

The FRSB proposes to relocate paragraph NZ 15.3.

### **True and fair over-ride**

The FRSB proposes to remove paragraphs NZ 19.1 and NZ 19.2.

### **Prospective Financial Statements**

The FRSB proposes to remove paragraphs NZ 46.1 and NZ 46.2.

### **Audit fee disclosures**

The FRSB proposes to relocate paragraph NZ 105.1.

### **Disclosure of Donations**

The FRSB proposes to remove paragraph NZ 105.2.

### **Presentation order of certain disclosures**

The FRSB proposes to remove paragraph NZ 114.1.

### **Elements in the Statement of Service Performance**

The FRSB proposes to relocate paragraphs NZ 138.4, NZ 138.5, NZ 138.6, NZ 138.7, NZ 138.8, NZ 138.9 and NZ 138.10.

Paragraphs NZ 8.1 (partial relocation), NZ 14.1, NZ 15.2, NZ 19.1, NZ 19.2, NZ 46.1, NZ 46.2, NZ 105.2 and NZ 114.1 are proposed to be removed (proposed deleted text is struck through).

Paragraphs NZ 15.1, NZ 15.3, NZ 105.1, NZ 105.2, NZ 138.1, NZ 138.2, NZ 138.3, NZ 138.4, NZ 138.5, NZ 138.6, NZ 138.7, NZ 138.8, NZ 138.9 and NZ 138.10 are proposed to be relocated to the separate disclosure standard (paragraph is struck through then re-established in the separate disclosure standard)

*Do the Boards agree with the proposed actions outlined above?*

## Definitions relating to the Statement of Service Performance

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~~NZ 8.1—The following terms are used in this Standard with the meanings specified:~~

~~*Inputs* are the resources used to produce the goods and services which are the outputs of the entity.~~

New Zealand equivalents to International Financial Reporting Standards (NZ IFRSs) are Standards and Interpretations approved by the Accounting Standards Review Board (ASRB) comprising New Zealand equivalents to:

- (a) International Financial Reporting Standards;
- (b) International Accounting Standards; and
- (c) International Interpretations.

~~*Outcomes* are the impacts on, or consequences for, the community resulting from the existence and operations of the entity.~~

~~*Outputs* are the goods and services produced by the entity.~~

Partial Relocation

## Presentation of a financial report

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~~NZ 14.1—Financial statements may be published as part of a financial report which includes financial statements, non-financial statements such as statements of service performance and supplementary information which is additional to the information in financial and non-financial statements.~~

Removal

## Nature of the reporting entity<sup>7</sup>

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NZ 15.1 ~~An entity shall disclose in the notes:~~

- ~~(a) the statutory base, if any, under which the financial statements are prepared;~~
- ~~(b) whether, for the purposes of complying with Generally Accepted Accounting Practice in New Zealand (NZ GAAP), it is a profit-oriented or public benefit entity;~~
- ~~(c) if, for the purposes of complying with NZ GAAP, it is a qualifying entity and has applied differential reporting concessions. In accordance with NZ IAS 8, such an entity shall disclose the criteria which establish the entity as a qualifying entity for differential reporting and the extent to which the entity has applied available differential reporting concessions; and~~
- ~~(d) a statement that the financial statements have been prepared in accordance with NZ GAAP, together with a description of the financial reporting standards applied by the entity.~~

Relocation

## Compliance with the Financial Reporting Act

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NZ 15.2 ~~A number of entities are required by legislation (for example, the Financial Reporting Act 1993 and the Public Finance Act 1989) to prepare general purpose financial statements that comply with GAAP. The legislative definitions of GAAP in these Acts refer to financial reporting standards which have been approved by the ASRB. Financial reporting standards approved by the ASRB include NZ IFRSs, and other Financial Reporting Standards. NZ IFRSs contain requirements and guidance specific to certain types of entities and provide concessions in relation to entities qualifying for differential reporting. An entity asserting compliance with NZ GAAP therefore needs to describe for readers the financial reporting standards that have been applied by the entity. For example:~~

- ~~(a) a profit-oriented entity not applying differential reporting concessions would state: "The financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRSs, and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities";~~
- ~~(b) a public benefit entity not applying differential reporting concessions would state: "The financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRSs, and other applicable Financial Reporting Standards, as appropriate for public benefit entities"; and~~
- ~~(c) an entity qualifying for differential reporting and applying differential reporting concessions would state: "The financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRSs and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities/public benefit entities that qualify for and apply differential reporting concessions".~~

Removal

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<sup>7</sup> *The proposed disclosure standard contains a proposal to align this disclosure requirement between Australia and New Zealand.*

## Compliance with NZ IFRSs<sup>8</sup>

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~~NZ 15.3 An entity shall not assert compliance with NZ IFRSs, and other applicable Financial Reporting Standards, as appropriate for that entity unless the financial statements comply with all the relevant requirements of those standards.~~

Relocation

## True and fair over-ride

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~~NZ 19.1 The Financial Reporting Act 1993 establishes the relevant regulatory framework for many entities in New Zealand. It is an example of a regulatory framework which prohibits departures from the requirements in an NZ IFRSs as described in paragraph 19. Where an entity is subject to the requirements of the Financial Reporting Act and considers that financial statements prepared in accordance with NZ IFRSs and applicable Financial Reporting Standards do not give a true and fair view of the matters to which they relate, an entity shall apply the requirements set out in paragraph 23 and disclose the information and explanations required by the Financial Reporting Act.~~

~~NZ 19.2 Entities which are required to prepare financial statements in accordance with a regulatory framework other than the Financial Reporting Act will need to ascertain whether that regulatory framework permits or prohibits departures from the requirements of NZ IFRSs in the circumstances described in paragraph 19.~~

Removal

## Prospective Financial Statements

---

~~NZ 46.1 Where an entity has published general purpose prospective financial statements for the period of the financial statements, the entity shall present a comparison of the prospective financial statements with the historical financial statements being reported. Explanations for major variations shall be given.~~

~~NZ 46.2 Financial Reporting Standard No. 42 *Prospective Financial Statements* defines general purpose prospective financial statements. Legislative or other requirements may require a comparison with originally published information, the most recently published information, or both.~~

Removal

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<sup>8</sup> The proposed disclosure standard contains a proposal to align this disclosure requirement between Australia and New Zealand.

## Audit fee disclosures<sup>9</sup>

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~~NZ 105.1 — An entity shall disclose, either on the face of the income statement or in the notes, fees to auditors, disclosing separately fees to:~~

- ~~(a) — each (if more than one) auditor of the parent entity for:
 
  - ~~(i) — audit fees being fees for the audit of the financial statements;~~
  - ~~(ii) — audit related fees being fees for assurance and related services that are reasonably related to the performance of the audit or review of the financial statements and are not reported under paragraph (a)(i). An entity shall describe the nature of the services comprising the fees disclosed under this category;~~
  - ~~(iii) — tax fees being fees for tax compliance, tax advice, and tax planning services. An entity shall describe the nature of the services comprising the fees disclosed under this category; and~~
  - ~~(iv) — all other fees being fees for services other than those reported in paragraphs (a)(i) through (a)(iii). An entity shall describe the nature of the services comprising the fees disclosed under this category; and~~~~
- ~~(b) — any other auditor(s) of entities in the group (not including the parent entity) for audit fees being fees for the audit of the financial statements.~~

Relocation

## Disclosure of Donations

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~~\*NZ 105.2 — An entity shall disclose, either on the face of the income statement or in the notes, the total amount of donations made.~~

Removal

## Presentation order of certain disclosures

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~~NZ 114.1 — The disclosures required by paragraph NZ 15.1 will normally precede the items set out in paragraph 114.~~

Removal

<sup>9</sup> *The proposed disclosure standard contains a proposal to align this disclosure requirement between Australia and New Zealand.*

## Elements in the Statement of Service Performance

~~NZ 138.1~~ Where a statement of service performance is presented it shall describe and disclose the outputs of an entity. Similar individual outputs may be aggregated.

~~NZ 138.2~~ This Standard refers to the statement in paragraph ~~NZ 138.1~~ as a "statement of service performance". The statement might, however, be differently named in legislation. The aim of such statements, by whatever name called, remains the providing of:

- ~~(a) narrative and statistics on the entity's performance in supplying goods and services; and~~
- ~~(b) information on the effects on the community of the entity's existence and operations.~~

~~NZ 138.3~~ An entity not required by legislation to prepare a statement of service performance is encouraged to include a statement of service performance in its financial statements where:

- ~~(a) the entity receives significant revenue intended to benefit third parties without giving reciprocal benefit or consideration to the party providing the revenue; or~~
- ~~(b) the entity has non-financial objectives of such importance that non-financial performance reporting is significant to users of the financial statements.~~

~~Public benefit entities are strongly encouraged to prepare a statement of service performance.~~

~~NZ 138.4~~ The elements of service performance are inputs, outputs and outcomes. Where relevant and appropriate for users of the entity's financial report, each output disclosed in the statement of service performance is to be described in terms of the output's:

- ~~(a) quantity;~~
- ~~(b) quality;~~
- ~~(c) time; and~~
- ~~(d) location.~~

~~The cost of each output is to be described and disclosed.~~

- ~~NZ 138.5 — The information used to describe service performance is to be selected so as to provide a complete description of delivery of each output (or aggregation of outputs) reported, but without undue emphasis on easily measured dimensions, and without resulting in an overload of only partially relevant statistics.~~
- ~~NZ 138.6 — For each output disclosed in a statement of service performance, where practical and appropriate, the outcome(s) to which the output is intended to contribute is to be disclosed.~~
- ~~NZ 138.7 — The statement of service performance shall present both projected service performance and actual service performance.~~
- ~~NZ 138.8 — Projected service performance is described by presenting projected outputs at the beginning of the period which an entity aimed to produce by the end of the period. These projected outputs will often be derived from the annual or corporate plan.~~
- ~~NZ 138.9 — To report the degree of success in achieving objectives, it is necessary to present both projected and actual results together with full disclosures of any changes in objectives during the period.~~
- ~~NZ 138.10 — Actual and projected service performance are to be reported consistently with one another. The information is to be sufficiently specific for performance to be assessed.~~

## Effective date and transition<sup>10</sup>

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An entity shall apply these amendments for annual periods beginning on or after 1 January 2011. Earlier adoption is permitted. If an entity applies these amendments for an earlier period it shall disclose that fact.

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<sup>10</sup> *Where an entity elects to early adopt any proposal contained in this Exposure Draft, it is proposed that it will be mandatory for that entity to early adopt the proposed disclosure standard from the same period.*

## AASB 107 *Statement of Cash Flows*

### Introduction

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The AASB proposes the following amendment to AASB 107 *Statement of Cash Flows*.

### Reconciliation of cash flows arising from operating activities to profit or loss

The AASB proposes to relocate paragraph Aus20.1.

Paragraph Aus20.1 is proposed to be relocated to the separate disclosure standard (paragraph is struck through and then re-established in the separate disclosure standard).

*Do the Boards agree with the proposed action outlined above?*

### Reconciliation of cash flows arising from operating activities to profit or loss<sup>11</sup>

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Aus20.1 — ~~When an entity uses the direct method, a reconciliation of cash flows arising from operating activities to profit or loss shall be disclosed in the complete set of financial statements.~~

Relocation

### Effective date and transition<sup>12</sup>

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An entity shall apply this amendment for annual periods beginning on or after 1 January 2011. Earlier adoption is permitted. If an entity applies this amendment for an earlier period it shall disclose that fact.

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<sup>11</sup> *The proposed disclosure standard contains a proposal to align this disclosure requirement between Australia and New Zealand.*

<sup>12</sup> *Where an entity elects to early adopt any proposal contained in this Exposure Draft, it is proposed that it will be mandatory for that entity to early adopt the proposed disclosure standard from the same period.*

## ***NZ IAS 7 Statement of Cash Flows***

### **Introduction**

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The FRSB proposes the following amendments to NZ IAS 7 *Statement of Cash Flows*.

### **Reinstatement of the indirect method**

The FRSB proposes to add IAS 7 paragraphs 18(b), 19 and 20.

### **Reconciliation of cash flows arising from operating activities to profit or loss**

The FRSB proposes to relocate paragraphs NZ 20.1 and NZ 20.2.

### **Reasons for the presentation of receipts and payments as a net cash flow**

The FRSB proposes to remove paragraphs NZ 24.1.

Paragraph NZ 24.1 is proposed to be removed (proposed deleted text is struck through).

Paragraphs 18(b) 19 and 20 are proposed to be amended to align with IFRS (proposed new text is underlined and proposed deleted text is struck through).

Paragraphs NZ 20.1 and NZ 20.2 are proposed to be relocated to the separate disclosure standard (paragraph is struck through and then re-established in the separate disclosure standard).

<p><i>Do the Boards agree with the proposed actions outlined above?</i></p>
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## Reinstatement of the indirect method

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- 18 An entity shall report cash flows from operating activities using:
- (a) the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed.
  - (b) ~~[Deleted – indirect method is not permitted in New Zealand.]~~ the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.
- 19 ~~[First sentence on indirect method deleted.]~~ Entities are encouraged to report cash flows from operating activities using the direct method. The direct method provides information which may be useful in estimating future cash flows and which is not available under the indirect method. Under the direct method, information about major classes of gross cash receipts and gross cash payments may be obtained either:
- (a) from the accounting records of the entity; or
  - (b) by adjusting sales, cost of sales (interest and similar income and interest expense and similar charges for a financial institution) and other items in the statement of comprehensive income for:
    - (i) changes during the period in inventories and operating receivables and payables;
    - (ii) other non-cash items; and
    - (iii) other items for which the cash effects are investing or financing cash flows.
- 20 ~~[Deleted in NZ IAS 7 – requirements relating to the indirect method are not applicable.]~~ Under the indirect method, the net cash flow from operating activities is determined by adjusting profit or loss for the effects of:
- (a) changes during the period in inventories and operating receivables and payables;
  - (b) non-cash items such as depreciation, provisions, deferred taxes, unrealised foreign currency gains and losses, and undistributed profits of associates; and
  - (c) all other items for which the cash effects are investing or financing cash flows.
- Alternatively, the net cash flow from operating activities may be presented under the indirect method by showing the revenues and expenses disclosed in the statement of comprehensive income and the changes during the period in inventories and operating receivables and payables.

## Reconciliation of cash flows arising from operating activities to profit or loss<sup>13</sup>

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~~NZ 20.1 The financial statements shall provide a reconciliation of the profit (loss) with the net cash flow from operating activities.~~

~~NZ 20.2 The adjustments in the reconciliation may be grouped as follows:~~

- ~~(a) non-cash items included in profit (loss); for example, depreciation;~~
- ~~(b) any deferrals or accruals of past or future operating cash receipts or payments; for example, changes in accounts receivable and in accounts payable;~~
- ~~(c) revenue and expense items classified as investing or financing activities in the statement of cash flows; for example, the cash flow from the sale of plant may be presented as an investing cash flow but the gain or loss on the sale will be included in the determination of profit (loss); and~~
- ~~(d) other adjustments appropriately described.~~

Relocation

## Reasons for the presentation of receipts and payments as a net cash flow

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~~NZ 24.1 When a cash flow in the statement of cash flows combines receipts and payments to present a net cash flow, a note shall identify such a cash flow and shall provide reasons why these receipts and payments have been set off.~~

Removal

## Effective date and transition<sup>14</sup>

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An entity shall apply these amendments for annual periods beginning on or after 1 January 2011. Earlier adoption is permitted. If an entity applies these amendments for an earlier period it shall disclose that fact.

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<sup>13</sup> *The proposed disclosure standard contains a proposal to align this disclosure requirement between Australia and New Zealand.*

<sup>14</sup> *Where an entity elects to early adopt any proposal contained in this Exposure Draft, it is proposed that it will be mandatory for that entity to early adopt the proposed disclosure standard from the same period.*

## ***AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors***

### **Introduction**

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The AASB proposes the following amendment to AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

### **Restatement of comparative information**

The AASB proposes to remove paragraph Aus2.8.

Paragraph Aus2.8 is proposed to be removed (proposed deleted text is struck through).

*Do the Boards agree with the proposed action outlined above?*

### **Restatement of comparative information**

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Aus2.8 ~~— A requirement in an Australian Accounting Standard to restate comparative information does not, of itself, give rise to a requirement to replace the original financial statements for the preceding period.~~

Removal

### **Effective date and transition**

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An entity shall apply this amendment for annual periods beginning on or after 1 January 2011. Earlier adoption is permitted. If an entity applies this amendment for an earlier period it shall disclose that fact.

## NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

### Introduction

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The FRSB proposes the following amendment to NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

### Terms used in the standard with meanings specified

The FRSB proposes to remove paragraph NZ 5.1.

### Disclosing changes in significant accounting policies

The FRSB proposes to remove paragraph NZ 31.1.

Paragraphs NZ 5.1 and NZ 31.1 are proposed to be removed (proposed deleted text is struck through).

*Do the Boards agree with the proposed actions outlined above?*

### Terms used in the standard with meanings specified

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NZ 5.1—The following term is used in this Standard with the meaning specified:

~~New Zealand equivalents to International Financial Reporting Standards (IFRSs) are Standards and Interpretations approved by the Accounting Standards Review Board (ASRB) comprising New Zealand equivalents to:~~

- ~~(a) — International Financial Reporting Standards;~~
- ~~(b) — International Accounting Standards; and~~
- ~~(c) — International Interpretations.~~

### Disclosing changes in significant accounting policies

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NZ 31.1—~~Changes in significant accounting policies shall be reported as such within the summary of significant accounting policies.~~

Removal

Removal

## Effective date and transition

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An entity shall apply these amendments for annual periods beginning on or after 1 January 2011. Earlier adoption is permitted. If an entity applies these amendments for an earlier period it shall disclose that fact.

## AASB 112 *Income Taxes*

### Introduction

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The AASB proposes the following amendment to AASB 112 *Income Taxes*.

### Income tax equivalents

The AASB proposes to remove paragraph Aus2.1.

Paragraph Aus2.1 is proposed to be removed (proposed deleted text is struck through).

*Do the Boards agree with the proposed action outlined above?*

### Income tax equivalents

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Aus2.1 — ~~For public sector entities and for the purposes of this Standard, income taxes also include forms of income tax that may be payable by a public sector entity under their own enabling legislation or other authority. These forms of income tax are often referred to as “income tax equivalents”.~~

Removal

### Effective date and transition

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An entity shall apply this amendment for annual periods beginning on or after 1 January 2011. Earlier adoption is permitted. If an entity applies this amendment for an earlier period it shall disclose that fact.

## NZ IAS 12 *Income Taxes*

### Introduction

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The FRSB proposes the following amendment to NZ IAS 12 *Income Taxes*.

### Terms used in the standard with meanings specified

The FRSB proposes to remove paragraph NZ 5.1.

### Disclosures relating to imputation credits and dividend withholding payment credits

The FRSB proposes to relocate the disclosures in paragraph NZ 81.1.

Paragraph NZ 5.1 is proposed to be removed (proposed deleted text is struck through).

Paragraph NZ 81.1 is proposed to be relocated to the separate disclosure standard (paragraph is struck through and then re-established in the separate disclosure standard).

*Do the Boards agree with the proposed actions outlined above?*

### Terms used in the standard with meanings specified

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~~NZ 5.1—The following terms are used in this Standard with the meanings specified:~~

~~*Imputation credits* are credits attached to the gross amount of dividends. Examples include New Zealand imputation credits and foreign dividend withholding payments.~~

~~*Withholding taxes* are deductions from the gross amount of income. Examples include New Zealand's resident withholding taxes on interest, dividends and other income (PAYE) and foreign non-resident withholding taxes. New Zealand's foreign dividend withholding payments are not a withholding tax.~~

Removal

## Disclosures relating to imputation credits and dividend withholding payment credits<sup>15</sup>

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~~NZ 81.1 With regard to imputation credits and dividend withholding payment credits available to shareholders the following shall be disclosed:~~

- ~~(a) the movements during the period in the Imputation Credit Account and Dividend Withholding Payments Account of the parent company; and~~
- ~~(b) the credits available to the shareholders of the parent company at the end of the reporting period:
  - ~~(i) through their shareholdings in that parent company; and, separately~~
  - ~~(ii) through their indirect interests in subsidiaries.~~~~

Relocation

## Effective date and transition<sup>16</sup>

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An entity shall apply these amendments for annual periods beginning on or after 1 January 2011. Earlier adoption is permitted. If an entity applies these amendments for an earlier period it shall disclose that fact.

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<sup>15</sup> *The proposed disclosure standard contains a proposal to align this disclosure requirement between Australia and New Zealand.*

<sup>16</sup> *Where an entity elects to early adopt any proposal contained in this Exposure Draft, it is proposed that it will be mandatory for that entity to early adopt the proposed disclosure standard from the same period.*

## NZ IAS 16 *Property, Plant and Equipment*

### Introduction

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The FRSB proposes the following amendment to NZ IAS 16 *Property, Plant and Equipment*.

### Use of the cost model for investment properties

The FRSB proposes to remove paragraph NZ 5.2.

### Valuers and related disclosures

The FRSB proposes to remove paragraphs NZ 35.1, NZ 35.2, NZ 35.3, NZ 77.2 and NZ 77.3.

Paragraphs NZ 5.2, NZ 35.1, NZ 35.2, NZ 35.3, NZ 77.2 and NZ 77.3 are proposed to be removed (proposed deleted text is struck through).

*Do the Boards agree with the proposed actions outlined above?*

### Use of the cost model for investment properties

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~~NZ 5.2 Under NZ IAS 40, paragraph 53, an entity is permitted to use the cost model for investment properties only where the fair value of the investment property is not reliably determinable on a continuing basis. This arises when, and only when, comparable market transactions are infrequent and alternative reliable estimates of fair value are not available.~~

Removal

## Valuers and related disclosures

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~~NZ 35.1 Subject to paragraph NZ 35.3 valuations shall be conducted either:~~

- ~~(a) by an independent valuer; or~~
- ~~(b) where an entity employs a person sufficiently experienced to conduct a valuation, by that person, so long as the valuation has been subject to review by an independent valuer.~~

~~NZ 35.2 The fair value of property, plant and equipment is determined or reviewed by an independent valuer who holds a recognised and relevant professional qualification and who has recent experience in the location and category of the property, plant and equipment being valued.~~

~~NZ 35.3 For plant and equipment, where there is an active market or readily available price indices that establish the item's fair value with reasonable reliability, the valuation need not be conducted or reviewed by an independent valuer or experienced employee.~~

~~NZ 77.2 An entity shall disclose in respect of each valuation conducted in accordance with paragraph NZ 35.1:~~

- ~~(a) the name of each valuer;~~
- ~~(b) a statement in respect of each valuer as to whether they are an employee of the entity or whether they are contracted as an independent valuer;~~
- ~~(c) the total fair value of property, plant and equipment valued by that valuer;~~
- ~~(d) where the valuation has been conducted by an employee of the entity the name of the independent valuer who reviewed the valuation; and~~
- ~~(e) the date(s) of such valuations.~~

~~NZ 77.3 Where an entity has not used an independent valuer because there is an active market or readily available price indices that establish the fair value of an item of plant or equipment with reasonable reliability in accordance with paragraph NZ 35.3, an entity shall disclose this fact.~~

## Effective date and transition<sup>17</sup>

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An entity shall apply these amendments for annual periods beginning on or after 1 January 2011. Earlier adoption is permitted. If an entity applies these amendments for an earlier period it shall disclose that fact.

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<sup>17</sup> Where an entity elects to early adopt any proposal contained in this Exposure Draft, it is proposed that it will be mandatory for that entity to early adopt the proposed disclosure standard from the same period.

## NZ IAS 19 *Employee Benefits*

### Introduction

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The FRSB proposes the following amendment to NZ IAS 19 *Employee Benefits*.

### Transition provisions

The FRSB proposes to remove paragraph 108 (c).

Paragraph 108 (c) is proposed to be removed (proposed deleted text is struck through).

*Do the Boards agree with the proposed action outlined above?*

### Transition provisions

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- 108 In a business combination, an entity recognises assets and liabilities arising from post-employment benefits at the present value of the obligation less the fair value of any plan assets (see NZ IFRS 3 *Business Combinations*). The present value of the obligation includes all of the following, even if the acquiree had not recognised them at the acquisition date:
- (a) actuarial gains and losses that arose before the acquisition date (whether or not they fell inside the 10% 'corridor'); and
  - (b) past service cost that arose from benefit changes, or the introduction of a plan, before the acquisition date; and
  - (c) ~~amounts that, under the transitional provisions of paragraph 155(b), the acquiree had not recognised. [Paragraph 155 of IAS 19 is not reproduced in this Standard.]~~

Removal

### Effective date and transition

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An entity shall apply this amendment for annual periods beginning on or after 1 January 2011. Earlier adoption is permitted. If an entity applies this amendment for an earlier period it shall disclose that fact.

## NZ IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*

### Introduction

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The FRSB proposes the following amendment to *NZ IAS 20 Accounting for Government Grants and Disclosure of Government Assistance*.

### Disclosure of government grants

The FRSB proposes to remove paragraph NZ 39.1.

Paragraph NZ 39.1 is proposed to be removed (proposed deleted text is struck through).

*Do the Boards agree with the proposed action outlined above?*

### Disclosure of government grants

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NZ 39.1 To comply with the disclosures required by paragraph 39:

- (a) ~~where, in accordance with the option permitted by paragraph 23, a government grant takes the form of a transfer of a non-monetary asset and an entity has recorded both an asset and a grant at a nominal amount, an entity shall disclose, in the period in which it was received, the fair value of the grant received;~~
- (b) ~~where, in accordance with the requirements of paragraph 24, an entity has presented a government grant related to assets in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset, an entity shall disclose:~~
  - (i) ~~the fair value of the grant received at the time of receipt;~~
  - (ii) ~~the amount recognised as deferred income or deducted from the carrying amount of the asset at the time of receipt;~~
  - (iii) ~~the number of years over which the deferred income is recognised as income or the estimated useful life of the related asset; and~~
- (c) ~~where, in accordance with the option permitted by paragraph 29, an entity has deducted a grant related to income in reporting the related expense, an entity shall disclose the fair value of the grant received.~~

Removal

## Effective date and transition

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An entity shall apply this amendment for annual periods beginning on or after 1 January 2011. Earlier adoption is permitted. If an entity applies this amendment for an earlier period it shall disclose that fact.

## AASB 121 *The Effects of Changes in Foreign Exchange Rates*

### Introduction

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The AASB proposes the following amendment to AASB 121 *The Effects of Changes in Foreign Exchange Rates*.

### Requirement to present a financial report drawn up in one presentation currency

The AASB proposes to remove paragraph Aus38.1.

Paragraph Aus38.1 is proposed to be removed (proposed deleted text is struck through).

*Do the Boards agree with the proposed action outlined above?*

### Requirement to present a financial report drawn up in one presentation currency

---

Aus38.1 ~~Notwithstanding paragraph 38, for the purpose of reporting under the Corporations Act, entities are only permitted to present a financial report which purports to be drawn up in accordance with the Corporations Act in one presentation currency.~~

Removal

### Effective date and transition

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An entity shall apply this amendment for annual periods beginning on or after 1 January 2011. Earlier adoption is permitted. If an entity applies this amendment for an earlier period it shall disclose that fact.

## AASB 128 *Investments in Associates*

### Introduction

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The AASB proposes the following amendment to AASB 128 *Investments in Associates*.

### Restatement of comparative information

The AASB proposes to remove paragraph Aus1.8.

Paragraph Aus1.8 is proposed to be removed (proposed deleted text is struck through).

*Do the Boards agree with the proposed action outlined above?*

### Restatement of comparative information

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Aus1.8 — ~~A requirement in an Australian Accounting Standard to restate comparative information does not, of itself, give rise to a requirement to replace the original financial statements for the preceding period.~~

Removal

### Effective date and transition

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An entity shall apply this amendment for annual periods beginning on or after 1 January 2011. Earlier adoption is permitted. If an entity applies this amendment for an earlier period it shall disclose that fact.

## NZ IAS 28 *Investments in Associates*

### Introduction

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The FRSB proposes the following amendment to NZ IAS 27 *Investments in Associates*.

### Aggregate disclosures if the equity method is applied

The FRSB proposes the removal of paragraph NZ 37.1.

Paragraph NZ 37.1 is proposed removed (paragraph is struck through and then re-established in the separate disclosure standard).

*Do the Boards agree with the proposed action outlined above?*

### Aggregate disclosures if the equity method is applied

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~~NZ 37.1 — Where the equity method is applied to investments in associates, the following information must be disclosed on an aggregate basis:~~

- ~~(a) — the movements in the carrying amount of investments in associates, separately identifying the carrying amount as at the beginning and end of the period, the amounts of new investments, disposals, share of total recognised revenues and expenses, dividends, and other movements; and~~
- ~~(b) — the amount of goodwill in the carrying amounts of investments in associates at the beginning and end of the period.~~

Removal

### Effective date and transition

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An entity shall apply this amendment for annual periods beginning on or after 1 January 2011. Earlier adoption is permitted. If an entity applies this amendment for an earlier period it shall disclose that fact.

## NZ IAS 31 *Interests in Joint Ventures*

### Introduction

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The FRSB proposes the following amendment to NZ IAS 31 *Interests in Joint Ventures*.

### Clarification of requirements

The FRSB proposes to remove paragraph NZ 40.1 which provides clarification on the use of the equity method.

Paragraph NZ 40.1 is proposed to be removed (proposed deleted text is struck through).

*Do the Boards agree with the proposed action outlined above?*

### Clarification of requirements

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~~NZ 40.1 — For clarification, the reference in paragraph 40 above to using the equity method as described in NZ IAS 28, includes the requirement to comply with the disclosure requirements of that Standard.~~

Removal

### Effective date and transition

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An entity shall apply this amendment for annual periods beginning on or after 1 January 2011. Earlier adoption is permitted. If an entity applies this amendment for an earlier period it shall disclose that fact.

## AASB 134 *Interim Financial Reporting*

### Introduction

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The AASB proposes the following amendment to AASB 134 *Interim Financial Reporting*.

### Amendment to the scope

The AASB proposes to amend paragraph Aus1.

Paragraphs 1 is proposed to be partially amended to align with IFRS (proposed new text is underlined).

### Amendment to the scope

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- 1 \_\_\_\_\_ This Standard does not mandate the preparation or frequency of interim financial reports, or how soon after the end of an interim period they should be completed. However, governments, securities regulators, stock exchanges, and other regulators may require entities to prepare interim financial reports that are general purpose financial statements. This Standard applies if an entity is required or elects to prepare interim financial reports that are general purpose financial statements or are held out to be general purpose financial statements in accordance with Australian Accounting Standards. The International Accounting Standards Committee encourages publicly traded entities to provide interim financial reports that conform to the recognition, measurement, and disclosure principles set out in this Standard. Specifically, publicly traded entities are encouraged:
- (a) to provide interim financial reports at least as of the end of the first half of their financial year; and
  - (b) to make their interim financial reports available not later than 60 days after the end of the interim period

Alignment

### Effective date and transition<sup>18</sup>

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An entity shall apply this amendment for annual periods beginning on or after 1 January 2011. Earlier adoption is permitted. If an entity applies this amendment for an earlier period it shall disclose that fact.

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<sup>18</sup> Where an entity elects to early adopt any proposal contained in this Exposure Draft, it is proposed that it will be mandatory for that entity to early adopt the proposed disclosure standard from the same period.

## **NZ IAS 34 *Interim Financial Reporting***

### **Introduction**

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The FRSB proposes the following amendments to NZ IAS 34 *Interim Financial Reporting*.

#### **Amendment to the scope**

The FRSB proposes to amend paragraph 1.

#### **Requirement to comply with the standard**

The FRSB proposes to remove paragraph NZ 3.1.

#### **Reference to NZ IAS 1**

The FRSB proposes to remove paragraph NZ 5.1.

#### **Additional disclosures required for condensed financial statements**

The FRSB proposes to remove paragraph NZ 10.1.

#### **Asserting compliance with other applicable Financial Reporting Standards**

The FRSB proposes to relocate to the separate disclosure standard paragraph NZ 19.1.

#### **Requirement to present a comparative statement of financial position**

The FRSB proposes to remove paragraph NZ 20.1.

Paragraphs NZ 3.1, NZ 5.1, NZ 10.1 and NZ 20.1 are proposed to be removed (proposed deleted text is struck through).

Paragraphs 1 is proposed to be partially amended to align with IFRS (proposed new text is underlined).

Paragraph NZ 19.1 is proposed to be relocated to the NZ separate disclosure standard (paragraph is struck through and then re-established in the separate disclosure standard).

*Do the Boards agree with the proposed actions outlined above?*

## Amendment to the scope

- 1 This Standard does not mandate the preparation or frequency of interim financial reports, or how soon after the end of an interim period they should be completed. However, governments, securities regulators, stock exchanges, and other regulators may require entities to prepare interim financial reports that are general purpose financial statements. This Standard applies if an entity is required or elects to prepare interim financial reports that are general purpose financial statements or are held out to be general purpose financial statements in accordance with New Zealand equivalents to International financial Reporting Standards (NZ IFRS). The International Accounting Standards Committee encourages publicly traded entities to provide interim financial reports that conform to the recognition, measurement, and disclosure principles set out in this Standard. Specifically, publicly traded entities are encouraged:
- (a) to provide interim financial reports at least as of the end of the first half of their financial year; and
  - (b) to make their interim financial reports available not later than 60 days after the end of the interim period

Amendment

## Requirement to comply with the standard

~~NZ 3.1 If an entity's interim financial report is described as complying with NZ IFRSs, it must comply with all of the requirements of this Standard. Paragraph NZ 19.1 requires certain disclosures in that regard.~~

Removal

## Reference to NZ IAS 1

~~NZ 5.1 NZ IAS 1 notes that financial statements may be published as part of a financial report which includes financial statements, non financial statements such as statements of service performance and supplementary information which is additional to the information in financial and non financial statements.~~

Removal

## Additional Disclosures required for condensed financial statements

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~~NZ 10.1 If an entity publishes a set of condensed financial statements in its interim financial report, in addition to the minimum disclosures required by paragraph 10, those condensed statements shall also include:~~

- ~~(a) the line items required in the statement of comprehensive income by NZ IAS 1 paragraph 82;~~
- ~~(b) the line items required in the statement of financial position by NZ IAS 1 paragraph 54; and~~
- ~~(c) in respect of the statement of cash flows, gross cash inflows and outflows from each of the following categories of cash flows, except to the extent that such cash flows are reported on a net basis in accordance with NZ IAS 7 Statement of Cash Flows;~~
  - ~~(i) operating activities;~~
  - ~~(ii) investing activities; and~~
  - ~~(iii) financing activities;~~
  - ~~(iv) by way of note disclosure, a reconciliation of the net profit (loss) after taxation with the net cash flow from operating activities separately disclosing the material items; and~~
  - ~~(v) by way of note disclosure, non cash investing and financing transactions which affect assets and liabilities that have been recognised. Such notes shall be referenced to the appropriate items in the financial statements.~~

Removal

## Asserting compliance with other applicable Financial Reporting Standards

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~~NZ 19.1 If an entity's interim financial report is in compliance with NZ IAS 34 that fact shall be disclosed. An interim financial report shall not assert compliance with NZ IFRSs, and other applicable Financial Reporting Standards, as appropriate for that entity, unless the financial statements comply with all the relevant requirements of those standards.~~

Relocation

## Requirement to present a comparative statement of financial position

---

~~NZ 20.1 In addition to the financial statements required by paragraph 20, interim reports shall also include a comparative statement of financial position as of the end of the comparable interim period of the immediately preceding financial year.~~

Removal

## Effective date and transition<sup>19</sup>

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An entity shall apply these amendments for annual periods beginning on or after 1 January 2011. Earlier adoption is permitted. If an entity applies these amendments for an earlier period it shall disclose that fact.

<sup>19</sup> *Where an entity elects to early adopt any proposal contained in this Exposure Draft, it is proposed that it will be mandatory for that entity to early adopt the proposed disclosure standard from the same period.*

## NZ IAS 40 *Investment Property*

### Introduction

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The FRSB proposes the following amendments to NZ IAS 40 *Investment Property*.

### Choice to account for investment property using either the cost model or the fair value model

The FRSB proposes the addition of IAS 40 paragraphs 30, 31, 32, 32A, 32B, 32C and 56.

### Valuations of investment property

The FRSB proposes to remove paragraphs NZ 33.1, NZ 33.2 and NZ 75.1.

Paragraphs 30-32, 32A-32C, 33, 56, 59, 75 and 79 are proposed to be amended to align with IFRS (proposed new text is underlined and proposed deleted text is struck through).

Paragraphs NZ 33.1, NZ 33.2 and NZ 75.1 are proposed to be removed (proposed deleted text is struck through).

#### *Do the Boards agree with the proposed actions outlined above?*

*At the October 2009 joint meeting the Boards previously considered that the Exposure Draft should acknowledge the argument that the cost model has been included in IAS 40 to cater for jurisdictions without developed markets for investment property.*

## Choice to account for investment property using either the cost model or the fair value model

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~~30-32 [Paragraphs 30 to 32 are not reproduced in this Standard. An entity is not permitted to use the cost model except in the circumstances outlined in paragraph 53.]~~

~~32A-32C [Paragraphs 32A to 32C are not reproduced in this Standard. An entity is not permitted to use the cost model except in the circumstances outlined in paragraph 53.]~~

30 With the exceptions noted in paragraphs 32A and 34, an entity shall choose as its accounting policy either the fair value model in paragraphs 33–55 or the cost model in paragraph 56 and shall apply that policy to all of its investment property.

31 IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* states that a voluntary change in accounting policy shall be made only if the change results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows. It is highly unlikely that a change from the fair value model to the cost model will result in a more relevant presentation.

32 This Standard requires all entities to determine the fair value of investment property, for the purpose of either measurement (if the entity uses the fair value model) or disclosure (if it uses the cost model). An entity is encouraged, but not required, to determine the fair value of investment property on the basis of a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

32A An entity may:

- (a) choose either the fair value model or the cost model for all investment property backing liabilities that pay a return linked directly to the fair value of, or returns from, specified assets including that investment property; and
- (b) choose either the fair value model or the cost model for all other investment property, regardless of the choice made in (a).

- ~~32B~~ Some insurers and other entities operate an internal property fund that issues notional units, with some units held by investors in linked contracts and others held by the entity. Paragraph 32A does not permit an entity to measure the property held by the fund partly at cost and partly at fair value.
- ~~32C~~ If an entity chooses different models for the two categories described in paragraph 32A, sales of investment property between pools of assets measured using different models shall be recognised at fair value and the cumulative change in fair value shall be recognised in profit or loss. Accordingly, if an investment property is sold from a pool in which the fair value model is used into a pool in which the cost model is used, the property's fair value at the date of the sale becomes its deemed cost.
- 33 After initial recognition, an entity that chooses the fair value model shall measure all of its investment property at fair value, except in cases described in paragraph 53.
- ~~56~~ ~~[Paragraph 56 is not reproduced in this Standard. An entity is not permitted to use the cost model except in the circumstances outlined in paragraph 53.]~~
- ~~56~~ After initial recognition, an entity that chooses the cost model shall measure all of its investment properties in accordance with IAS 16's requirements for that model, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Investment properties that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) shall be measured in accordance with IFRS 5.
- 59 Paragraphs 60–65 apply to recognition and measurement issues that arise when an entity uses the fair value model for investment property. ~~[Final sentence of paragraph 59 deleted in NZ IAS 40 — an entity is not permitted to use the cost model except in the circumstances outlined in paragraph 53.]~~ When an entity uses the cost model, transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.
- 75 An entity shall disclose:
- (a) ~~whether it applies the fair value model or, in the exceptional cases described in paragraph 53, when an entity cannot determine the fair value of the investment property reliably, the cost model.~~ whether it applies the fair value model or the cost model.
  - (b) if it applies the fair value model, whether, and in what circumstances, property interests held under operating leases are classified and accounted for as investment property.
  - (c) when classification is difficult (see paragraph 14), the criteria it uses to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business.
  - (d) the methods and significant assumptions applied in determining the fair value of investment property, including a statement whether the determination of fair value was supported by market evidence or was more heavily based on other factors (which the entity shall disclose) because of the nature of the property and lack of comparable market data.

- (e) the extent to which the fair value of investment property (as measured or disclosed in the financial statements) is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. If there has been no such valuation, that fact shall be disclosed.
- (f) the amounts recognised in profit or loss for:
  - (i) rental income from investment property;
  - (ii) direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period; and
  - (iii) direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income during the period.
  - (iv) ~~[Paragraph 75(f)(iv) is not reproduced in this Standard. An entity is not permitted to use the cost model except in the circumstances outlined in paragraph 53.]~~ the cumulative change in fair value recognised in profit or loss on a sale of investment property from a pool of assets in which the cost model is used into a pool in which the fair value model is used (see paragraph 32C).
- (g) the existence and amounts of restrictions on the realisability of investment property or the remittance of income and proceeds of disposal.
- (h) contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

79 In addition to the disclosures required by paragraph 75, an entity that applies the cost model in paragraph 56 shall disclose:

- (a) the depreciation methods used;
- (b) the useful lives or the depreciation rates used;
- (c) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period;
- (d) ~~[Paragraph 79(d) is not reproduced in this Standard. An entity is not permitted to use the cost model, except in the circumstances outlined in paragraph 53.]~~ a reconciliation of the carrying amount of investment property at the beginning and end of the period, showing the following:
  - (i) additions, disclosing separately those additions resulting from acquisitions and those resulting from subsequent expenditure recognised as an asset;
  - (ii) additions resulting from acquisitions through business combinations;
  - (iii) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with IFRS 5 and other disposals;
  - (iv) depreciation;
  - (v) the amount of impairment losses recognised, and the amount of impairment losses reversed, during the period in accordance with IAS 36;

- (vi) the net exchange differences arising on the translation of the financial statements into a different presentation currency, and on translation of a foreign operation into the presentation currency of the reporting entity;
- (vii) transfers to and from inventories and owner-occupied property; and
- (viii) other changes; and
- (e) ~~[Paragraph 79(e) is not reproduced in this Standard. An entity is not permitted to use the cost model, except in the circumstances outlined in paragraph 53]~~ the fair value of investment property. In the exceptional cases described in paragraph 53, when an entity cannot determine the fair value of the investment property reliably, it shall disclose:
  - (i) a description of the investment property;
  - (ii) an explanation of why fair value cannot be determined reliably; and
  - (iii) if possible, the range of estimates within which fair value is highly likely to lie.

Alignment

## Valuations of investment property

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~~NZ 33.1 Valuations shall be conducted either:~~

- ~~(a) by an independent valuer; or~~
- ~~(b) where an entity employs a person sufficiently experienced to conduct a valuation, by that person, so long as the valuation has been subject to review by an independent valuer.~~

~~NZ 33.2 The fair value of investment property is determined or reviewed by an independent valuer who holds a recognised and relevant professional qualification and who has recent experience in the location and category of the investment property being valued.~~

~~NZ 75.1 An entity shall disclose in respect of each valuer employed:~~

- ~~(a) the name of the valuer;~~
- ~~(b) the total fair value of property valued by that valuer; and~~
- ~~(c) the date(s) of such valuations.~~

Removal

## Effective date and transition

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An entity shall apply these amendments for annual periods beginning on or after 1 January 2011. Earlier adoption is permitted. If an entity applies these amendments for an earlier period it shall disclose that fact.

## Interpretation 2 *Members' Shares in Co-operative Entities and Similar Instruments*

### Introduction

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The AASB proposes the following amendments to Interpretation 2 *Members' Shares in Co-operative Entities and Similar Instruments*.

### Cancellation of membership of non-active members

The AASB proposes to remove paragraphs Aus12.1 and Aus12.2.

Paragraphs Aus12.1 and Aus12.2 are proposed to be removed (proposed deleted text is struck through).

*Do the Boards agree with the proposed actions outlined above?*

### Cancellation of membership of non-active members

---

Aus12.1 ~~Local law may require that when a member has not been an active member of a co-operative for a specified period of time, the membership of the member is cancelled and the shares of the member are required to be redeemed. For example, the Co-operatives Act 1992 (NSW) requires that when a member is not presently an active member of the co-operative and has not been an active member of a co-operative at any time during the past three years (or a shorter period, if provided for in the rules of the co-operative), the co-operative must declare the membership of the member cancelled and then has 12 months within which to repay to the former member the amount payable in respect of that cancellation.~~

Aus12.2 ~~Local law that requires the redemption of members' shares where members cease to be active members of a co-operative creates an unconditional obligation on the co-operative to transfer cash or another financial asset to its members at the option of the members, who would exercise their option by ceasing to be an active member. The obligation meets the definition of a financial liability and the members' shares are classified as liabilities, measured in accordance with paragraph 10, unless the shares have all the features and meet the conditions in paragraphs 16A and 16B or paragraphs 16C and 16D of AASB 132. For example, under the general New South Wales requirements noted in paragraph Aus12.1, a cooperative would measure the fair value of the financial liability (if the members' shares are so classified) by discounting the maximum amount payable on redemption over the four year period to the first date that the amount could be required to be paid.~~

Removal

## **Effective date and transition**

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An entity shall apply these amendments for annual periods beginning on or after 1 January 2011. Earlier adoption is permitted. If an entity applies these amendments for an earlier period it shall disclose that fact.

## Interpretation 112 *Consolidation - Special Purpose Entities*

### Introduction

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The AASB proposes the following amendments to Interpretation 112 *Consolidation – Special Purpose Entities*.

### Prohibition of a company from acquiring shares in itself

The AASB proposes to remove paragraph Aus15C.1.

Paragraph Aus15C.1 is proposed to be removed (proposed deleted text is struck through).

*Do the Boards agree with the proposed action outlined above?*

### Prohibition of a company from acquiring shares in itself

---

Aus15C.1 ~~The AASB has added a footnote to AASB 132.33 and 132.34 that 'The Corporations Act prohibits a company from acquiring shares (or units of shares) in itself except in limited circumstances. Accordingly, an entity subject to the Corporations Act cannot have treasury shares.'~~

Removal

### Effective date and transition

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An entity shall apply this amendment for annual periods beginning on or after 1 January 2011. Earlier adoption is permitted. If an entity applies this amendment for an earlier period it shall disclose that fact.

## Interpretation 113 *Jointly Controlled Entities – Non-monetary Contributions by Venturers*

### Introduction

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The AASB proposes the following amendments to Interpretation 113 *Jointly Controlled Entities – Non-monetary Contributions by Venturers*.

### Recognition of an elimination of an unrealised gain or loss

The AASB proposes to remove paragraphs Aus7.1.

Paragraph Aus7.1 is proposed to be removed (proposed deleted text is struck through).

*Do the Boards agree with the proposed action outlined above?*

### Recognition of an elimination of an unrealised gain or loss

---

Aus7.1 ~~Where a venturer has recognised a gain or loss in profit or loss under paragraph 5 or 6, the amount of the unrealised gain or loss that has been eliminated shall be recognised by the venturer as it is realised by the JCE (as the contributed assets are consumed or sold) or, if not already realised by the JCE, when the venturer disposes of its investment in the JCE.~~

Removal

### Effective date and transition

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An entity shall apply this amendment for annual periods beginning on or after 1 January 2011. Earlier adoption is permitted. If an entity applies this amendment for an earlier period it shall disclose that fact.

APPENDIX A PROPOSED SEPARATE DISCLOSURE STANDARD

# WORKING DRAFT

Exposure Draft

AASB ED XX  
FRSB ED XX  
(Insert date)

Trans-Tasman Convergence

Additional Disclosures

Prepared by the  
Australian Accounting Standards Board  
and by the  
Financial Reporting Standards Board of the New Zealand Institute of Chartered Accountants  
Comments by (insert date)



**Australian Government**  
**Australian Accounting Standards Board**

**Financial Reporting Standards Board**  
of the New Zealand Institute of Chartered Accountants

*This Exposure Draft should be read in conjunction with ED X Proposed Amendments.*

## Commenting on this Exposure Draft

Comments on this Exposure Draft are requested by (insert date). Comments should be addressed to either the Australian Accounting Standards Board or the Financial Reporting Standards Board of the New Zealand Institute of Chartered Accountants, as follows:

The Chairman  
Australian Accounting Standards Board  
PO Box 204  
Collins Street West Victoria 8007  
AUSTRALIA  
E-mail: [standard@asb.gov.au](mailto:standard@asb.gov.au)

Director – Accounting Standards  
New Zealand Institute of Chartered Accountants  
PO Box 11 342  
Wellington  
NEW ZEALAND  
E-mail: [ASD@nzica.com](mailto:ASD@nzica.com)

All submissions received will be considered by both Boards.

It would be appreciated if respondents send their submissions in electronic form (preferably in Microsoft Word format) as this allows for the efficient collation and analysis of comments. Submissions will be made available to the public unless otherwise requested. All non-confidential submissions to the AASB will be made available on the AASB website: [www.aasb.gov.au](http://www.aasb.gov.au).

Respondents are requested to indicate on their submission on whose behalf (for example, own behalf, a group of people or an entity) the submission is being made.

## Obtaining a Copy of this Exposure Draft

This Exposure Draft is available on the AASB website ([www.aasb.gov.au](http://www.aasb.gov.au)) and the NZICA website ([www.nzica.com](http://www.nzica.com)). Alternatively, printed copies of this Exposure Draft are available in Australia by contacting:

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**Final to have the copyright reviewed by NZICA General Counsel.**

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[To be expanded upon]

## Separate Disclosure Standards

### Introduction

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The Australian Accounting Standards Board (AASB) and Financial Reporting Standards Board (FRSB) are converging Australian and New Zealand accounting standards in stages. The first phase, and the focus of this Exposure Draft, is convergence of Australian and New Zealand Accounting Standards as they apply to for-profit entities. The proposed changes in this Exposure Draft relates to AASB and FRSB '*All Entity*' and NZ '*Profit-Orientated Entity*' only paragraphs. Therefore the proposals in this Exposure Draft may also apply to not-for-profit entities/public benefit entities where they are relevant.

This project is consistent with the Joint Statement by Prime Ministers Rudd and Key on trans-Tasman co-operation and the related Outcome Proposals on financial reporting which stated that entities should be able to use a single set of accounting standards to prepare a single set of financial statements for use in both Australia and New Zealand.

### Timeframe

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The AASB and FRSB propose the following timeframe for completion of this stage of the project:

- (i) Exposure draft issued [day] April 2010
- (ii) Three month comment period ending [day] July 2010
- (iii) Effective date of proposals is periods beginning on or after 1 January 2011.

## Proposed AASB and FRSB separate disclosure standards

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In ED X *Proposed Amendments to Align AASBs and NZ IFRSs*, the Boards proposed that some disclosure paragraphs remain relevant and best practice in the Australian or New Zealand context and as such these should be relocated to the separate disclosure standards.

Where paragraphs have been proposed to be relocated to the separate disclosure standards, the AASB and FRSB have considered harmonising the requirements in both jurisdictions to the extent practicable. The AASB and the FRSB propose to:

- (i) in the first instance relocate certain disclosures to the proposed disclosure standards and to harmonise those items (harmonisation may include blending similar paragraphs or adopting a disclosure requirement from one jurisdiction); or
- (ii) retain the disclosure in Australia or New Zealand because the matter reflects specific requirements in that jurisdiction.

Harmonisation

Additional

### Differential reporting exemption

The AASB and FRSB propose to exempt Tier 2 entities from the requirement to comply with the separate disclosure standards.

All but one of the paragraphs proposed to be relocated to the FRSB separate disclosure standard have not previously had Differential Reporting exemptions. It is the AASB's policy in its Reduced Disclosure Regime project to exempt Tier 2 / qualifying entities from requirements in excess of the requirements of IFRS for SMEs. The ASRB and the FRSB are proposing Tier 2 / qualifying exemptions for all proposed separate disclosure paragraphs in light of their objective to consider alignment of Australian and New Zealand Tier 2 / qualifying accounting requirements during a later stage of the project.

***Do the Boards agree with the proposal to provide Differential Reporting exemptions to all disclosures in the separate disclosure standards?***

## Invitation to comment

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The AASB and FRSB invite comments on the proposed amendments. They would particularly welcome answers to the questions set out below. Comments are most helpful if they:

- (i) answer the question as stated;
- (ii) indicate the specific paragraph or paragraphs to which they relate;
- (iii) contain a clear rationale; and
- (iv) describe any alternative the AASB or FRSB should consider.

## General Questions (applicable to all proposed amendments)

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### Question 1

Do you agree with the proposals in this Exposure Draft? Please provide reasons supporting your response.

### Question 2

Are there any regulatory issues or other issues arising in the Australian or New Zealand environment that may affect the implementation of the proposals? Please provide reasons for your response.

### Question 3

Do you consider that the proposed in this Exposure Draft are in the best interests of users of general purpose financial statements of entities in Australia and New Zealand? Please provide reasons for your response.

Respondents do not need to comment on all of the proposals in this Exposure Draft or all of the questions for any amendment. The AASB and FRSB are not requesting comments on matters they have not addressed in this Exposure Draft.

The AASB and FRSB will consider all comments received in writing by (insert date). In considering the comments, the AASB and FRSB will base their conclusions on the merits of the arguments for and against each alternative, not on the number of respondents supporting each alternative.

<i>Do the Boards agree with the questions above?</i>
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## ***AASB X Additional Disclosures***

### **Introduction**

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The AASB proposes the following paragraphs be established in this separate disclosure standard.

### **Definitions with specified meanings**

The AASB proposes to re-establish definitions with specific meanings currently contained in AASB 101 Aus7.1.

### **Compliance with Australian Accounting Standards**

The AASB proposes to re-establish and harmonise the compliance paragraph from AASB 101 Aus15.2.

### **Disclosure of the statutory basis**

The AASB proposes to relocate paragraph Aus15.3

### **Limited unreserved statement of compliance**

The AASB proposes to relocate paragraph Aus16.1.

### **Audit fee disclosures**

The AASB proposes to relocate and reword the disclosures relating to under paragraph Aus138.1 to Aus138.2.

### **Franking credit disclosures**

The AASB proposes to relocate and reword the disclosures relating to franking credits in paragraph Aus138.3 to Aus138.5.

Paragraphs Aus7.1 and Aus16.1 are proposed to be additional requirements (proposed new text is underlined).

Paragraphs Aus15.2, Aus15.3, Aus 20.1, Aus138.1, Aus 138.2, Aus138.3, Aus183.4 and Aus138.5 are proposed to be harmonised (proposed new text is underlined and proposed deleted text is struck through).

## AASB only paragraph

### This Standard applies to:

- (a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act;
- (b) general purpose financial reports of each reporting entity; and
- (c) financial reports that are, or are held out to be, general purpose financial reports<sup>20</sup>.

## Preparation of Financial Statements

### Definitions with specified meanings

Aus7.11 The following terms are also used in this Standard with the meanings specified.

*Annual reporting period* means the financial year or similar period to which annual financial statements relate.

*Entity* means any legal, administrative, or fiduciary arrangement, organisational structure or other party (including a person) having the capacity to deploy scarce resources in order to achieve objectives.

*Related practice* means in relation to the auditor's practice:

- (a) an entity through which an auditor provides professional services to clients and that has one or more partners or directors in common with the auditor's practice; or
- (b) an entity that is owned by the relatives of one or more partners of the auditor's practice and that shares fees or profits with the auditor's practice in respect of the entity that is subject to the financial reporting obligation; or
- (c) any other entity that shares fees or profits with the auditor's practice in respect of the entity that is subject to the financial reporting obligation.

[Source AASB 101 Aus7.1]

Additional

<sup>20</sup> This wording is based on the Application paragraphs in existing Australian Accounting Standards. In the event that the AASB's current proposals to introduce a Reduced Disclosure Regime proceed, consistent with ED 192 *Revised Differential Reporting Framework*, it is likely that application paragraphs will not be included in individual Standards but that the application of all Standards will be dealt with in a separate AASB Application Standard. Consistent with the FRSB proposal that this Additional Disclosures Standard not apply to 'qualifying entities' and consistent with the proposals in ED 192, it would be intended that this Standard would not apply to entities preparing general purpose financial statements under the Reduced Disclosure Regime.

## Compliance with Australian Accounting Standards

~~Aus15.22~~ An entity shall disclose in the notes a statement whether the financial statements have been prepared in accordance with the requirements of [Australian words: Australian Accounting Standards] [NZ words: NZ IFRS]. Where the financial statements have not been prepared in accordance with the relevant requirements that fact shall also be disclosed in the notes.

[Source AASB 101 Aus15.2]

## Disclosure of the statutory basis

~~Aus15.3~~ ~~The financial reporting framework applied in the preparation of the financial statements is identified in the summary of accounting policies so that users understand the basis on which the financial statements has been prepared. In addition to stating whether the financial statements have been prepared in accordance with Australian Accounting Standards, it may also be appropriate to indicate the relevant statutory and other requirements adopted in the preparation of the financial statements.~~

[Source AASB 101 Aus15.3]

3 An entity shall disclose in the notes:

(a) the statutory base or other reporting framework, if any, under which the financial statements are prepared;

(b) whether, for the purposes of preparing the financial statements, it is a [Australian words: for-profit or not-for-profit entity] [NZ words: profit-oriented or public benefit entity];

(c) a statement whether the financial statements have been prepared in accordance with [Australian words: full IFRSs as adopted in Australia or the Reduced Disclosure Regime] [NZ words: New Zealand IFRSs or differential reporting]; and

*NZ only sub-paragraph:*

(de) if, for the purposes of preparing the financial statements, it is a qualifying entity and has applied differential reporting concessions The criteria which establish the entity as a qualifying entity for differential reporting and the extent to which the entity has applied available differential reporting concessions.

## Limited unreserved statement of compliance

Aus16.14 Where an entity can make the explicit and unreserved statement of compliance in respect of only:

- (a) the parent financial statements and notes; or
- (b) the consolidated financial statements and notes;

the entity shall make the explicit and unreserved statement of compliance in accordance with paragraph 16 and clearly identify to which financial statements and notes it relates.

[Source AASB 101 Aus16.1]

**The harmonisation of audit fee disclosures below should be considered in conjunction with the agenda paper B5.2.**

## Audit fee disclosures

~~Aus 138.1~~ An entity, other than a group, shall disclose the amounts paid or payable to:

- ~~(a) the auditor of the entity for an audit or a review of the financial statements of the entity;~~
- ~~(b) the auditor of the entity for non audit services in relation to the entity, disclosing separately the nature and amount of each of the non-audit services provided by the auditor; and~~
- ~~(c) a related practice of the auditor for non-audit services in relation to the entity, disclosing separately the nature and amount of each category of non-audit service.~~

~~Aus138.2~~ The following information shall be disclosed in relation to a group, the amounts paid or payable to:

- ~~(a) the auditor of the parent of the group, for an audit or a review of the financial statements of any entity in the group;~~
- ~~(b) the auditor of the parent of the group, for non audit services in relation to any entity in the group, disclosing separately the nature and amount of each of the non-audit services provided by the auditor;~~
- ~~(c) a related practice of the auditor of the parent of the group, for non-audit services in relation to any entity in the group, disclosing separately the nature and amount of each of the non-audit services provided by the auditor;~~
- ~~(d) the auditors of the subsidiaries in the group, other than those disclosed in accordance with paragraph Aus126.2(a), for an audit or a review of the financial statements of those subsidiaries;~~
- ~~(e) the auditors of the subsidiaries in the group, other than those disclosed in accordance with paragraphs Aus126.2(b) and (c), for non-audit services in relation to any entity in the group, disclosing separately the nature and amount of each of the non-audit services provided by the auditor; and~~
- ~~(f) a related practice of the auditors of the subsidiaries in the group, other than those disclosed in accordance with paragraphs Aus126.2(b) and (c), for non-audit services in relation to any entity in the group, disclosing separately the nature and amount of each of the non-audit services provided by the auditor.~~

[Source AASB 101 Aus138.1 and Aus 138.2]

6 An entity, other than a group, shall disclose either on the face of the income statement or in the notes fees to the auditor (each auditor if more than one) of the entity for:

- (a) audit fees being fees for the audit of the financial statements;
- (b) audit related fees being fees for assurance and related services that are reasonably related to the performance of the audit or review of the financial statements and are not reported under paragraph (a). An entity shall describe the nature of the services comprising the fees disclosed under this category;
- (c) tax fees being fees for tax compliance, tax advice, and tax planning services. An entity shall describe the nature of the services comprising the fees disclosed under this category;

- (d) all other non-audit fees for other services other than those reported in paragraphs (a) to (c). An entity shall describe the nature of the services comprising the fees disclosed under this category.
- (e) a related practice of the auditor (each auditor if more than one) for non-audit services in relation to the entity, disclosing separately the nature and amount of each category of non-audit service.

6.1 A group entity shall disclose either on the face of the income statement or in the notes fees for:

- (a) the auditor (each auditor if more than one) of the parent of the group, for an audit of the financial statements of any entity in the group;
- (b) audit related fees being fees for assurance and related services that are reasonably related to the performance of the audit or review of the financial statements and are not reported under paragraph (a). An entity shall describe the nature of the services comprising the fees disclosed under this category;
- (c) the auditor (each auditor if more than one) of the parent of the group, for non-audit services in relation to any entity in the group, disclosing separately the nature and amount of each of the non-audit services provided by the auditor;
- (d) a related practice of the auditor (each auditor if more than one) of the parent of the group, for non-audit services in relation to any entity in the group, disclosing separately the nature and amount of each of the non-audit services provided by the auditor;
- (e) the auditors of the subsidiaries in the group, other than those disclosed in accordance with paragraph Aus7(a), for an audit or a review of the financial statements of those subsidiaries; and
- (f) a related practice of the auditors of the subsidiaries in the group, other than those disclosed in accordance with paragraphs Aus7(b) and (c), for non-audit services in relation to any entity in the group, disclosing separately the nature and amount of each of the non-audit services provided by the auditor.

The harmonisation of franking credit disclosures below should be considered in conjunction with the agenda paper B5.3.

## Franking credit disclosures

~~Aus135.3—An entity shall disclose for each class of shares included in equity, where either dividends payable were first recognised as a liability during the reporting period or dividends were paid during the reporting period without previously being recognised as a liability:~~

- ~~(a) the amount, in aggregate and per share, of those dividends that have been or will be franked and the tax rate at which those dividends have been or will be franked; and~~
- ~~(b) the amount, in aggregate and per share, of those dividends that have not been or will not be franked.~~

~~Aus138.4—An entity shall disclose the amount of franking credits available for subsequent reporting periods to the equity holders in the entity if it is not a group or the parent in a group, by disclosing the balance of the franking account as at the reporting date, adjusted for:~~

- ~~(a) franking credits that will arise from the payment of the amount of the provision for income tax;~~

- ~~(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and~~
- ~~(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.~~

~~Aus138.5 An entity shall disclose the impact on the franking account of dividends proposed or declared before the financial statements were authorised for issue but not recognised as a distribution to equity holders during the period.~~

[Source AASB 101 Aus138,3, Aus 138.4 and Aus138.5]

~~7 The disclosures in paragraphs X to Y shall be made separately in respect of any New Zealand imputation credits and any Australian franking credits. The term 'imputation credits' is used in paragraphs X to Y to also mean 'franking credits'.~~

~~An entity shall disclose for each class of shares included in equity, where either dividends payable were first recognised as a liability during the reporting period or dividends were paid during the reporting period without previously being recognised as a liability:~~

- ~~(a) the amount in aggregate of those dividends that have or will carry imputation credits and the tax rate at which those dividends have carried, or will carry, imputation credits; and~~
- ~~(b) the amount in aggregate of those dividends that have not carried, or will not carry, imputation credits.~~

~~An entity shall disclose the amount of imputation credits available for subsequent reporting periods to the equity holders in the entity if it is not a group or the parent in a group, by disclosing the balance of imputation credits as at the reporting date, adjusted for:~~

- ~~(a) imputation credits that will arise from the payment of the amount of the provision for income tax;~~
- ~~(b) imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date; and~~
- ~~(c) imputation credits that will arise from the receipt of dividends recognised as receivables at the reporting date.~~

~~An entity shall disclose the impact on the amount of imputation credits of dividends proposed or declared before the financial statements were authorised for issue but not recognised as a distribution to equity holders during the period.~~

~~An entity shall disclose the balance of imputation credits as at the reporting date and the movements during the period of the amount of imputation credits available for subsequent reporting periods to the equity holders in the entity if it is not a group or the parent in a group.~~

~~Where relevant to an understanding of the balance of imputation credits as at the reporting date, separate disclosures shall be made about imputation credits available:~~

- ~~(a) directly through shareholdings in the parent; and~~
- ~~(b) through indirect interests in subsidiaries.~~

## Statement of Cash Flows

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~~Aus20.18~~ When an entity uses the direct method, a reconciliation of cash flows arising from operating activities to profit or loss shall be disclosed in the complete set of financial statements.

[Source AASB 7 Aus20.1]

Harmonisation

## Effective date and transition

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An entity shall apply this standard for annual periods beginning on or after 1 January 2011. Earlier adoption is permitted. If an entity applies this standard for an earlier period it shall disclose that fact.

## ***FRS X-Additional Disclosures***

### **Introduction**

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The following paragraphs are proposed to be re-established in this standard.

### **Definitions relating to the Statement of Service Performance**

The FRSB proposes to relocate paragraph NZ 8.1.

### **Nature of the reporting entity**

The FRSB proposes to relocate paragraph NZ 15.1.

### **Compliance with NZ IFRSs**

The FRSB proposes to relocate paragraph NZ 15.3.

### **Audit fee disclosures**

The FRSB proposes to relocate and reword paragraph NZ 105.1.

### **Elements in the Statement of Service Performance**

The FRSB proposes to relocate paragraphs NZ 138.4, NZ 138.5, NZ 138.6, NZ 138.7, NZ 138.8, NZ 138.9 and NZ 138.10.

### **Reconciliation of cash flows arising from operating activities to profit or loss**

The FRSB proposes to relocate paragraphs NZ 20.1 and NZ 20.2.

### **Disclosures relating to imputation credits and dividend withholding payment credits**

The FRSB proposes to relocate and reword the disclosures in paragraph NZ 81.1.

## Asserting compliance with other applicable Financial Reporting Standards

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The FRSB proposes to relocate to the separate disclosure standard paragraph NZ 19.1 which relates to asserting compliance with NZ IFRS.

Paragraphs NZ 8.1, NZ 138.1-138.10 and NZ 19.1 are proposed to be additional (new text is underlined).

Paragraphs NZ 15.1, NZ 15.3, NZ 20.1, NZ 20.2, NZ 81.1, NZ 105.1 and NZ 105.2 are proposed to be harmonised. (proposed new text is underlined and proposed deleted text is struck through).

### Qualifying Entities

**Entities which qualify for differential reporting concessions in accordance with the *Framework for Differential Reporting for Entities Applying the New Zealand Equivalents to International Financial Reporting Standards Reporting Regime (2005)* are not required to comply with the disclosure requirements in this Standard denoted with an asterisk (\*).**

## Preparation of Financial Statements

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### Definitions relating to the Statement of Service Performance

~~NZ 8.11~~ The following terms are used in this Standard with the meanings specified:

*Inputs* are the resources used to produce the goods and services which are the outputs of the entity.

*Outcomes* are the impacts on, or consequences for, the community resulting from the existence and operations of the entity.

*Outputs* are the goods and services produced by the entity.

[Source NZ IAS 1.8.1]

*Related practice*<sup>21</sup> means in relation to the auditor's practice:

- (a) an entity through which an auditor provides professional services to clients and that has one or more partners or directors in common with the auditor's practice; or
- (b) an entity that is owned by the relatives of one or more partners of the auditor's practice and that shares fees or profits with the auditor's practice in respect of the entity that is subject to the financial reporting obligation; or
- (c) any other entity that shares fees or profits with the auditor's practice in respect of the entity that is subject to the financial reporting obligation

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<sup>21</sup> This definition of related practice has been added to support the alignment of the auditor fee disclosures. See paragraph 4 below.

## Nature of the reporting entity

~~NZ 15.1\*2~~ An entity shall disclose in the notes:

- (a) the statutory base or other reporting framework, if any, under which the financial statements are prepared;
- (b) whether, for the purposes of preparing the financial statements ~~complying with Generally Accepted Accounting Practice in New Zealand (NZ GAAP)~~, it is a [*Australian words*: for-profit or not-for-profit entity] [*NZ words*: profit-oriented or public benefit entity];

~~(c)~~ a statement ~~that whether~~ the financial statements have been prepared in accordance with [*Australian words*: full IFRSs as adopted in Australia or the Reduced Disclosure Regime] [*NZ words*: New Zealand IFRSs or differential reporting] ~~NZ GAAP, together with a description of the financial reporting standards applied by the entity; and~~

*NZ only sub-paragraph:*

- ~~(d)~~ if, for the purposes of preparing the financial statements ~~complying with NZ GAAP~~, it is a qualifying entity and has applied differential reporting concessions, ~~— In accordance with NZ IAS 8, such an entity shall disclose the criteria which establish the entity as a qualifying entity for differential reporting and the extent to which the entity has applied available differential reporting concessions; and~~

[Source NZ IAS 1.15.1 ]

## Compliance with NZ IFRSs

~~NZ 15.3~~ An entity shall not assert compliance with NZ IFRSs, and other applicable Financial Reporting Standards, as appropriate for that entity unless the financial statements comply with all the relevant requirements of those standards.

[Source NZ IAS 1.15.3 ]

\*3 An entity shall disclose in the notes a statement whether the financial statements have been prepared in accordance with the requirements of [*Australian words*: Australian Accounting Standards] [*NZ words*: NZ IFRS]. Where the financial statements have not been prepared in accordance with the relevant requirements that fact shall also be disclosed in the notes.

Harmonisation

Harmonisation

Harmonisation

The harmonisation of the audit fee disclosures below should be considered in conjunction with the agenda paper B5.2.

## Audit Fee Disclosures

~~NZ 105.1~~ An entity shall disclose, either on the face of the income statement or in the notes, fees to auditors, disclosing separately fees to:

- ~~(i)~~ An entity shall describe the nature of the services comprising the fees disclosed under this category; and
- ~~(a)~~ any other auditor(s) of entities in the group (not including the parent entity) for audit fees being fees for the audit of the financial statements.

[Source NZ IAS 1.105.1 ]

\*4 An entity, other than a group, shall disclose either on the face of the income statement or in the notes fees to the auditor (each auditor if more than one) of the entity for:

- (a) audit fees being fees for the audit of the financial statements;
- (b) audit related fees being fees for assurance and related services that are reasonably related to the performance of the audit or review of the financial statements and are not reported under paragraph (a). An entity shall describe the nature of the services comprising the fees disclosed under this category;
- (c) tax fees being fees for tax compliance, tax advice, and tax planning services. An entity shall describe the nature of the services comprising the fees disclosed under this category;
- (d) all other non-audit fees for other services other than those reported in paragraphs (a) to (c). An entity shall describe the nature of the services comprising the fees disclosed under this category.
- (e) a related practice of the auditor (each auditor if more than one) for non-audit services in relation to the entity, disclosing separately the nature and amount of each category of non-audit service.

\*4.1 A group entity shall disclose either on the face of the income statement or in the notes fees for:

- (a) the auditor (each auditor if more than one) of the parent of the group, for an audit of the financial statements of any entity in the group;
- (b) audit related fees being fees for assurance and related services that are reasonably related to the performance of the audit or review of the financial statements and are not reported under paragraph (a). An entity shall describe the nature of the services comprising the fees disclosed under this category;
- (c) the auditor (each auditor if more than one) of the parent of the group, for non-audit services in relation to any entity in the group, disclosing separately the nature and amount of each of the non-audit services provided by the auditor;
- (d) a related practice of the auditor (each auditor if more than one) of the parent of the group, for non-audit services in relation to any entity in the group, disclosing separately

- the nature and amount of each of the non-audit services provided by the auditor:
- (e) the auditors of the subsidiaries in the group, other than those disclosed in accordance with paragraph Aus4.1(a), for an audit or a review of the financial statements of those subsidiaries; and
  - (f) a related practice of the auditors of the subsidiaries in the group, other than those disclosed in accordance with paragraphs Aus4.1(b) and (c), for non-audit services in relation to any entity in the group, disclosing separately the nature and amount of each of the non-audit services provided by the auditor.

## Elements in the Statement of Service Performance

- ~~NZ 1385.1~~ Where a statement of service performance is presented it shall describe and disclose the outputs of an entity. Similar individual outputs may be aggregated.
- ~~NZ 1385.2~~ This Standard refers to the statement in paragraph NZ 138.1 as a “statement of service performance”. The statement might, however, be differently named in legislation. The aim of such statements, by whatever name called, remains the providing of:
- (a) narrative and statistics on the entity’s performance in supplying goods and services; and
  - (b) information on the effects on the community of the entity’s existence and operations.
- ~~NZ 1385.3~~ An entity not required by legislation to prepare a statement of service performance is encouraged to include a statement of service performance in its financial statements where:
- (a) the entity receives significant revenue intended to benefit third parties without giving reciprocal benefit or consideration to the party providing the revenue; or
  - (b) the entity has non-financial objectives of such importance that non-financial performance reporting is significant to users of the financial statements.
- Public benefit entities are strongly encouraged to prepare a statement of service performance.
- ~~NZ 1385.4~~ The elements of service performance are inputs, outputs and outcomes. Where relevant and appropriate for users of the entity’s financial report, each output disclosed in the statement of service performance is to be described in terms of the output’s:
- (a) quantity;
  - (b) quality;
  - (c) time; and
  - (d) location.
- The cost of each output is to be described and disclosed.
- ~~NZ 1385.5~~ The information used to describe service performance is to be selected so as to provide a complete description of delivery of each output (or aggregation of outputs) reported, but without undue emphasis on easily measured dimensions, and without resulting in an overload of only partially relevant statistics.
- ~~NZ 1385.6~~ For each output disclosed in a statement of service performance, where practical and appropriate, the outcome(s) to which the output is intended to contribute is to be disclosed.
- ~~NZ 1385.7~~ The statement of service performance shall present both projected service performance and actual service performance.
- ~~NZ 1385.8~~ Projected service performance is described by presenting projected outputs at the beginning of the period which an entity aimed to produce by the end of the period. These projected outputs will often be derived from the annual or corporate plan.
- ~~NZ 1385.9~~ To report the degree of success in achieving objectives, it is necessary to present both projected and actual results together with full disclosures of any changes in objectives during the period.
- ~~NZ 1385.10~~ Actual and projected service performance are to be reported consistently with one another. The information is to be sufficiently specific for performance to be assessed.

## Statement of Cash Flows

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### Reconciliation of cash flows arising from operating activities to profit or loss

~~NZ 20.1 The financial statements shall provide a reconciliation of the profit (loss) with the net cash flow from operating activities.~~

~~NZ 20.2 The adjustments in the reconciliation may be grouped as follows:~~

- ~~(a) non-cash items included in profit (loss); for example, depreciation;~~
- ~~(b) any deferrals or accruals of past or future operating cash receipts or payments; for example, changes in accounts receivable and in accounts payable;~~
- ~~(c) revenue and expense items classified as investing or financing activities in the statement of cash flows; for example, the cash flow from the sale of plant may be presented as an investing cash flow but the gain or loss on the sale will be included in the determination of profit (loss); and~~
- ~~(d) other adjustments appropriately described.~~

~~\*6 When an entity uses the direct method, a reconciliation of cash flows arising from operating activities to profit or loss shall be disclosed in the complete set of financial statements.~~

The harmonisation of income tax disclosures below should be considered in conjunction with the agenda paper B5.3.

## Income taxes

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### Disclosures relating to imputation credits and dividend withholding payment credits

~~NZ 81.1 With regard to imputation credits and dividend withholding payment credits available to shareholders the following shall be disclosed:~~

- ~~(a) the movements during the period in the Imputation Credit Account and Dividend Withholding Payments Account of the parent company; and~~
- ~~(b) the credits available to the shareholders of the parent company at the end of the reporting period:
 
  - ~~(i) through their shareholdings in that parent company; and, separately~~
  - ~~(ii) through their indirect interests in subsidiaries.~~~~

\*7 The disclosures in paragraphs X to Y shall be made separately in respect of any New Zealand imputation credits and any Australian franking credits. The term 'imputation credits' is used in paragraphs X to Y to also mean 'franking credits'.

An entity shall disclose for each class of shares included in equity, where either dividends payable were first recognised as a liability during the reporting period or dividends were paid during the reporting period without previously being recognised as a liability:

- (a) the amount in aggregate of those dividends that have or will carry imputation credits and the tax rate at which those dividends have carried, or will carry, imputation credits; and
- (b) the amount in aggregate of those dividends that have not carried, or will not carry, imputation credits.

An entity shall disclose the amount of imputation credits available for subsequent reporting periods to the equity holders in the entity if it is not a group or the parent in a group, by disclosing the balance of imputation credits as at the reporting date, adjusted for:

- (a) imputation credits that will arise from the payment of the amount of the provision for income tax;
- (b) imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- (c) imputation credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

An entity shall disclose the impact on the amount of imputation credits of dividends proposed or declared before the financial statements were authorised for issue but not recognised as a distribution to equity holders during the period.

An entity shall disclose the balance of imputation credits as at the reporting date and the movements during the period of the amount of imputation credits available for subsequent reporting periods to the equity holders in the entity if it is not a group or the parent in a group.

Where relevant to an understanding of the balance of imputation credits as at the reporting date, separate disclosures shall be made about imputation credits available:

- (a) directly through shareholdings in the parent; and
- (b) through indirect interests in subsidiaries.

Harmonisation

## Interim Financial Reporting

### Asserting compliance with other applicable Financial Reporting Standards

~~NZ 19.1~~\*8 If an entity's interim financial report is in compliance with NZ IAS 34 that fact shall be disclosed. An interim financial report shall not assert compliance with NZ IFRSs, and other applicable Financial Reporting Standards, as appropriate for that entity, unless the financial statements comply with all the relevant requirements of those standards.

Additional

## Effective date and transition

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An entity shall apply this standard for annual periods beginning on or after 1 January 2011. Earlier adoption is permitted. If an entity applies this standard for an earlier period it shall disclose that fact.