

Explanatory Statement

Accounting Standard AASB 2007-3
Amendments to Australian Accounting
Standards arising from AASB 8

February 2007



Australian Government

**Australian Accounting
Standards Board**

EXPLANATORY STATEMENT

Adoption of Australian equivalents to IFRSs

The Australian Accounting Standards Board (AASB) is implementing the directive of the Financial Reporting Council (FRC) to adopt the Standards of the International Accounting Standards Board (IASB), for application to reporting periods beginning on or after 1 January 2005.

The IASB defines International Financial Reporting Standards (IFRSs) as comprising:

- (a) International Financial Reporting Standards;
- (b) International Accounting Standards (IAS); and
- (c) Interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).

The Australian equivalents to IFRSs are:

- (a) Accounting Standards issued by the AASB that are equivalent to Standards issued by the IASB, being AASBs 1 – 99 corresponding to the IFRS series and AASBs 101 – 199 corresponding to the IAS series; and
- (b) Interpretations issued by the AASB corresponding to the Interpretations adopted by the IASB, as listed in AASB 1048 *Interpretation and Application of Standards*.

The AASB has decided it will continue to issue sector-neutral Standards, that is, Standards applicable to both for-profit and not-for-profit entities, including public sector entities. The AASB departed from this objective in respect of AASB 8 *Operating Segments* because the requirements are specific to for-profit reporting entities that have issued, or are in the process of issuing, debt or equity securities on a public market. Except for Standards that are specific to the not-for-profit or public sectors or that are of a purely domestic nature, the AASB uses the IASB Standards as the “foundation” Standards to which it adds material detailing the scope and applicability of a Standard in the Australian environment. Additions are made, where necessary, to broaden the content to cover sectors not addressed by an IASB Standard and domestic, regulatory or other issues.

On 15 July 2004, the Board made the set of Australian Standards equivalent to IFRSs, together with several associated Australian Standards, effective for annual reporting periods beginning on or after 1 January 2005.

Reasons for Issuing AASB 2007-3

This Standard makes amendments to the following Australian Accounting Standards:

1. AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*;
2. AASB 6 *Exploration for and Evaluation of Mineral Resources*;
3. AASB 102 *Inventories*;
4. AASB 107 *Cash Flow Statements*;
5. AASB 119 *Employee Benefits*;
6. AASB 127 *Consolidated and Separate Financial Statements*;
7. AASB 134 *Interim Financial Reporting*;
8. AASB 136 *Impairment of Assets*;
9. AASB 1023 *General Insurance Contracts*; and
10. AASB 1038 *Life Insurance Contracts*.

These amendments arise from the issuance in February 2007 of AASB 8 *Operating Segments*, which is the Australian equivalent to IFRS 8 *Operating Segments*. AASB 8 supersedes AASB 114 *Segment Reporting*. The consequential amendments to existing Standards arising from the issue of AASB 8 are identified in this amending Standard.

Main Features of the Standard

Application Date

This Standard is applicable to annual reporting periods beginning on or after 1 January 2009 with early adoption permitted for annual reporting periods beginning on or after 1 January 2005 but before 1 January 2009 provided AASB 8 is also adopted early for the same period. This Standard shall be applied when AASB 8 is applied.

Main Requirements

The issuance of AASB 8 necessitates consequential amendments to AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134,

AASB 136, AASB 1023 and AASB 1038. For example, references to AASB 114 *Segment Reporting* are replaced with references to AASB 8 *Operating Segments*, and language drawn from AASB 114 is replaced with that compatible with AASB 8.

The Standard also deletes segment information requirements included in AASB 1023 and AASB 1038.

Consultation Prior to Issuing this Standard

The AASB issued Exposure Draft ED 145 *Operating Segments*, the Australian equivalent to the IASB ED 8 *Operating Segments*, in January 2006. ED 145 proposed the adoption of the IASB proposals in Australia and sought comment on the appropriateness of extending the proposed approach to apply to not-for-profit reporting entities in the private sector and the public sector. Ten submissions were received in respect of the proposals in the ED and although there was substantial support for adopting an Australian equivalent to IFRS 8 in respect of for-profit reporting entities there was little support for applying the basis of the approach to not-for-profit entities in both the private and public sectors. There was limited support for requiring those entities presently included in the scope of AASB 114 to comply with the new standard.

A Regulatory Impact Statement has not been prepared in connection with the issue of this Standard as the amendments made do not have a substantial direct or indirect impact on business or competition, are of a minor or machinery nature and clarify existing requirements.