

Explanatory Statement

Accounting Standard AASB 2007-7 *Amendments to Australian Accounting Standards*

June 2007



Australian Government

**Australian Accounting
Standards Board**

EXPLANATORY STATEMENT

Adoption of Australian Equivalents to IFRSs

The Australian Accounting Standards Board (AASB) is implementing the Financial Reporting Council's policy of adopting 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. 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 initial 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 2007-7

AASB 2007-7 *Amendments to Australian Accounting Standards* makes amendments to the following Australian Accounting Standards:

1. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*;
2. AASB 2 *Share-based Payment*;
3. AASB 4 *Insurance Contracts*;
4. AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*;
5. AASB 107 *Cash Flow Statements*; and
6. AASB 128 *Investments in Associates*.

The amendments follow the issuance, in April 2007, of AASB 2007-4 *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments*. That Standard implemented the AASB's decision that, in principle, all options that currently exist under International Financial Reporting Standards should be included in the Australian equivalents to IFRSs and additional Australian disclosures should be eliminated, other than those considered particularly relevant in the Australian reporting environment.

Main Features of AASB 2007-7

Application Date

This Standard is applicable to annual reporting periods beginning on or after 1 July 2007, with early adoption permitted for annual reporting periods beginning on or after 1 January 2005 but before 1 July 2007.

An entity adopting this Standard early must adopt the whole Standard early.

Main Requirements

In addition to editorial amendments, AASB 2007-7 removes the encouragement in paragraph Aus12.1 of AASB 107 to adopt a particular format for the cash flow statement, as it is no longer relevant due to the amendments made to AASB 107 by AASB 2007-4. The superseded implementation guidance accompanying AASB 4 is also deleted.

Consultation Prior to Issuing AASB 2007-7

In the process of adopting IFRSs in Australia, the AASB made a number of additions to, and deletions from, the Standards. The AASB considered this to be necessary in order to provide a sound basis for the transition to Australian equivalents to IFRSs and to maintain a high level of consistency in Australian financial reporting. In particular, the AASB deleted optional treatments from the IFRSs when an existing Australian Standard (pre-2005) allowed only one of those treatments. The AASB also added disclosures to the IFRSs that existed in (pre-2005) Australian Standards.

Based on its experience in implementing Australian equivalents to IFRSs, the AASB decided to make the Australian requirements the same as IFRSs in respect of for-profit entities.

The AASB issued Exposure Draft ED 151 *Australian Additions to, and Deletions from, IFRSs* in November 2006, which invited comments from Australian constituents on proposed amendments to Australian equivalents to IFRSs relating to the additions and deletions made by the AASB. Most of the respondents to ED 151 supported the Board's proposals in the interests of gaining the greatest benefit from having adopted IFRSs in Australia.

A Regulatory Impact Statement has not been prepared in connection with the issue of AASB 2007-7 as the amendments made do not have a substantial direct or indirect impact on business or competition, are of a minor or machinery nature or clarify existing requirements.