

Explanatory Statement

Accounting Standard AASB 2008-4
Amendments to Australian Accounting
Standard – Key Management Personnel
Disclosures by Disclosing Entities

June 2008



Australian Government

**Australian Accounting
Standards Board**

EXPLANATORY STATEMENT

Reasons for Issuing AASB 2008-4

This Standard makes amendments to Australian Accounting Standard AASB 124 *Related Party Disclosures*. These amendments arise from Exposure Draft ED 162 *Proposed Amendments to Key Management Personnel Disclosures by Disclosing Entities*.

As a result of the amendments to section 300A of the *Corporations Act 2001* and Regulation 2M.3.03 in 2007, disclosing entities that are companies are required to report remuneration information in the directors' report in accordance with the Corporations Act and Regulation 2M.3.03. The same remuneration information is required in the financial statements in accordance with AASB 124 *Related Party Disclosures* paragraphs Aus25.2 to Aus25.6 and Aus25.7.1 and Aus25.7.2.

Corporations Act Regulation 2M.6.04 permitted listed companies to avoid making the same disclosures twice. The Corporations Amendment Regulations 2007 (No. 2) has removed that regulation.

This Standard amends AASB 124 to relieve disclosing entities that are companies from complying with the paragraphs in AASB 124 that have been included in the Corporations Act and Regulation 2M.3.03 to avoid each disclosing entity that is a company having to disclose this information twice – in its directors' report and in its financial statements.

Main Features of AASB 2008-4

Application Date

This Standard is applicable to annual reporting periods ending on or after 30 June 2008, subject to such an annual reporting period not beginning before 30 June 2007.

This Standard may be applied to annual reporting periods beginning on or after 30 June 2007 that end before 30 June 2008.

Main Requirements

This Standard excludes disclosing entities that are companies from the application of AASB 124 paragraphs Aus25.2 to Aus25.6 and Aus25.7.1 and Aus25.7.2, as the requirements for these entities are now incorporated into the Corporations law. However, AASB 124 paragraphs Aus25.7 and Aus25.7.3 to Aus25.9.3 still apply to disclosing entities that are companies.

Consultation Prior to Issuing AASB 2008-4

The AASB issued Exposure Draft ED 162 *Proposed Amendments to Key Management Personnel Disclosures by Disclosing Entities* in April 2008.

Ten submissions were received in respect of the proposals in the ED. These submissions:

- (a) supported the proposals to exclude disclosing entities that are companies from the application of AASB 124 paragraphs Aus25.2 to Aus25.6 and Aus25.7.1 and 25.7.2; and
- (b) indicated that they would prefer that all KMP disclosure requirements be transferred to the Corporations Act.

The AASB, on behalf of its constituents and in response to the submissions received on ED 162, has requested that Treasury seek to address transferring all KMP disclosure requirements to the Corporations Act relating to all types of disclosing entities.

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 or clarify existing requirements.