

Explanatory Statement

AASB 2005-10 Amendments to Australian Accounting Standards

August 2005



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) Urgent Issues Group (UIG) Interpretations issued by the AASB corresponding to the Interpretations adopted by the IASB, as listed in AASB 1048 *Interpretation and Application of Standards*.

In implementing the FRC's directive, the AASB is replacing relevant existing AASB Standards with Australian Standards equivalent to those of the IASB. 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 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.

AASB 7 *Financial Instruments: Disclosures* was issued in August 2005 and is based on IFRS 7 *Financial Instruments: Disclosures*.

Reasons for Issuing AASB 2005-10

AASB 2005-10 is an amending standard which makes amendments to:

1. AASB 132 *Financial Instruments: Disclosure and Presentation*;
2. AASB 101 *Presentation of Financial Statements*;
3. AASB 114 *Segment Reporting*;
4. AASB 117 *Leases*;
5. AASB 133 *Earnings per Share*;
6. AASB 139 *Financial Instruments: Recognition and Measurement*;
7. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*;
8. AASB 4 *Insurance Contracts*;
9. AASB 1023 *General Insurance Contracts*; and
10. AASB 1038 *Life Insurance Contracts*.

This Standard:

1. amends AASB 101 to include capital disclosure requirements that replicate those contained in the IASB's complementary Amendment to IAS Presentation of Financial Instruments – *Capital Disclosures*; and
2. makes consequential amendments to the other standards listed above arise from the release in August 2005 of AASB 7 *Financial Instruments: Disclosures*.

Main Features of this Standard

This Standard was made by the AASB on 5 September 2005 under section 334 of the *Corporations Act 2001*.

Application Date

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

Main Changes

The main changes are:

1. amendments to a range of Standards issued in July 2004 to implement the requirements of AASB 7; and
2. include working capital disclosure requirements in AASB 101 (July 2004).

Consultation prior to Issuing this Standard

Public consultation was part of the process undertaken by the AASB prior to its decision to issue this Standard, amending the existing version of AASB 132 (issued July 2004), AASB 101 (compiled December 2004), AASB 114 (issued July 2004), AASB 117 (issued July 2004), AASB 133 (issued July 2004), AASB 139 (issued July 2004), AASB 1 (compiled July 2004), AASB 4 (issued July 2004), AASB 1023 (issued July 2004) and AASB 1038 (issued July 2004). An Exposure Draft (ED) containing proposed revisions, ED 137 Request for Comment on IASB ED 7 Financial Instruments: Disclosures was issued for public comment in August 2004, with a comment period ending on 1 October 2004.

All of the seven submissions to ED 137 received generally supported the proposed changes although two submissions did not explicitly support the specific proposal to remove parent entity relief.

The IASB issued the final IFRS 7 *Financial Instruments: Disclosures*, a complementary Amendment to IAS 1 *Presentation of Financial Instruments – Capital Disclosures* and a range of consequential amendments to other Standards on 18 August 2005. The AASB approved AASB 7 *Financial Instruments: Disclosures* and AASB 2005-10 *Amendments to Australian Accounting Standards*, out of session, in August 2005.

A Regulatory Impact Statement has not been prepared in connection with the revision of this Standard as the amendments it makes do not have a direct, or substantial indirect, effect on business or restrict competition, are of a minor or machinery nature and do not substantially alter existing arrangements.