

Explanatory Statement

AASB 2005-7 Amendments to Australian Accounting Standards

June 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 AASB 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 134 *Interim Financial Reporting* was issued at this time and is the Australian equivalent to IAS 34 *Interim Financial Reporting*.

Reasons for Issuing AASB 2005-7

AASB 2005-7 amends AASB 134 issued in July 2004. AASB 134 contains an Australian specific “Aus” paragraph (Aus21.1) commenting that comparative interim periods refer to the corresponding calendar periods. Concerns had been raised by constituents that when the current or immediately preceding annual reporting periods differ from twelve months, the preparation of a comparative interim report may become onerous, or that paragraph Aus21.1 might be inconsistent with paragraph 20 of AASB 134.

On the basis of these concerns, the AASB reconsidered paragraph Aus21.1 of AASB 134 and decided to delete it.

Main Features of this Standard

This Standard was made by the AASB on 9 June 2005 under section 334 of the *Corporations Act 2001*.

Application Date

The amendment made by AASB 2005-7 in relation to AASB 134 (July 2004) is applicable to interim reporting periods ending on or after 30 June 2005. Early adoption is permitted for interim reporting periods beginning on or after 1 January 2005.

Change from AASB 134

The change to AASB 134 is the deletion of paragraph Aus21.1 from AASB 134. This paragraph commented that comparative interim periods (current or annual reporting period-to-date) refer to the corresponding calendar periods.

Consultation prior to Issuing this Standard

The amendment made by AASB 2005-7 has been made in response to concerns raised by constituents and brought to the attention of the AASB. No further formal consultation was deemed necessary by the AASB prior to its decision to issue this Standard, amending AASB 134.

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