

Explanatory Statement

AASB 2005-8 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 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* was issued at this time and is based on IFRS 1 *First-time Adoption of International Financial Reporting Standards*.

Reasons for Issuing AASB 2005-8

AASB 2005-8 amends AASB 1, which was initially issued in July 2004. It makes minor amendments to the following three paragraphs:

- (a) paragraph Aus25D.1;
- (b) paragraph 36A(c); and
- (c) paragraph 36B.

Main Features of this Standard

This Standard was made by the AASB on 30 June 2005 under section 334 of the *Corporations Act 2001*.

Application Date

This Standard is applicable to annual reporting periods ending on or after 31 December 2005 with early adoption permitted for annual reporting periods beginning on or after 1 January 2005.

Changes from AASB 1

The main changes from AASB 1 are identified below.

- (1) Paragraph Aus25D.1 is amended to ensure that references to AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts* in AASB 1 include any amendments to those standards since they were issued in July 2004.
- (2) A sentence is inserted at the end of paragraph 36A(c), which stipulates that when an entity chooses to present comparative information that does not comply with AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 139 *Financial Instruments: Recognition and Measurement* and/or AASB 4 *Insurance Contracts* (that is, the entity chooses to take advantage of the exemption granted in paragraph 36A), the disclosures required by paragraph 28(f)(i) of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* apply only to amounts presented in the balance sheet at the comparative period's reporting date.

- (3) Paragraph 36B clarifies that an entity that adopts Australian equivalents to IFRSs before 1 January 2006 is granted with relief from applying the recognition, measurement and disclosure requirements of AASB 6 *Exploration for and Evaluation of Mineral Resources* to its comparative year information in its first Australian-equivalents-to-IFRSs financial report. Prior to this amendment, paragraph 36B only specifically provided relief from making comparative disclosures in accordance with the requirements of AASB 6 rather than relief from restating comparative information as was contemplated in the Basis for Conclusions on IFRS 6 *Exploration for and Evaluation of Mineral Resources*, paragraphs BC63-BC65.

Paragraph 36B was initially added to AASB 1, as a consequence of the making of AASB 6 on 9 December 2004, by the amending standard AASB 2004-1 which was also made on 9 December 2004.

Consultation prior to Issuing this Standard

The amendment to paragraph Aus25D.1 is minor in nature and the amendment to paragraph 36A(c) resulted from a late change to IFRS 1 by the IASB. Informal consultation in the form of discussions with key constituents was undertaken on these two changes.

The amendment to paragraph 36B was made in response to concerns raised by Australian constituents and brought to the attention of the AASB. The AASB then referred this to the IASB who undertook a full, albeit accelerated, exposure process, which included issuing an Exposure Draft for public comment. This amendment to paragraph 36B is based on the IASB amendment, which resulted from this exposure process and corresponds to changes made to their equivalent standard, IFRS 1.

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.