

Explanatory Statement

Accounting Standard AASB 2007-2
Amendments to Australian
Accounting Standards arising from
AASB Interpretation 12

February 2007



Australian Government

**Australian Accounting
Standards Board**

EXPLANATORY STATEMENT

Reasons for Issuing AASB 2007-2

This Standard makes amendments to the following Australian Accounting Standards:

1. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*;
2. AASB 117 *Leases*;
3. AASB 118 *Revenue*;
4. AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*;
5. AASB 121 *The Effects of Changes in Foreign Exchange Rates*;
6. AASB 127 *Consolidated and Separate Financial Statements*;
7. AASB 131 *Interests in Joint Ventures*; and
8. AASB 139 *Financial Instruments: Recognition and Measurement*.

The principal amendments to AASB 1 arise from the approval in February 2007 of AASB Interpretation 12 *Service Concession Arrangements*, which is the Australian equivalent of International Financial Reporting Interpretations Committee (IFRIC) Interpretation 12. The amendments are consistent with those made by IFRIC Interpretation 12 to International Financial Reporting Standards (IFRSs).

The other amendments to AASB 1 and the amendments to the other Standards listed change references to UIG Interpretations to refer simply to Interpretations instead.

Main Features of the Standard

Application Dates

The amendments to AASB 1 in relation to service concession arrangements apply to annual reporting periods beginning on or after 1 January 2008. Early adoption is required for an annual reporting period beginning on or after 1 January 2005 but before 1 January 2008 if AASB Interpretation 12 *Service Concession Arrangements* is applied to the period.

The amendments to references to UIG Interpretations apply to annual reporting periods ending on or after 28 February 2007, and may be applied to annual reporting periods beginning on or after 1 January 2005 that end before 28 February 2007.

Main Requirements

Service Concession Arrangements

AASB 1 generally requires prior period information, presented as comparative information, to be restated as if the requirements of an AASB Interpretation had always applied. The change made by this Standard is to include in AASB 1 an optional exemption from these requirements that allows a first-time adopter of Australian equivalents to IFRSs to apply AASB Interpretation 12 to a service concession arrangement essentially from the start of the earliest period presented in the financial report, if it is impracticable for the entity to apply the Interpretation retrospectively to that arrangement. The accounting required when the exemption is followed is set out in the transitional provisions in the Interpretation.

References to UIG Interpretations

This Standard also amends the definition of “Australian equivalents to IFRSs” in Appendix A (“Defined Terms”) to AASB 1 to refer generally to Interpretations issued by the AASB rather than to Urgent Issues Group (UIG) Interpretations issued by the AASB. Australian Accounting Interpretations were previously developed by the UIG, a former committee of the AASB, but are now developed by the AASB directly.

Similarly, other references in AASB Standards to UIG Interpretations are amended to refer to Interpretations instead. This avoids the potential confusion that may result from AASB Standards referring to both UIG and AASB Interpretations.

Consultation Prior to Issuing this Standard

Public consultation was part of the process undertaken by the Urgent Issues Group (a former committee of the AASB) in developing submissions on the Draft Interpretations D12 *Service Concession Arrangements – Determining the Accounting Model*, D13 *Service Concession Arrangements – The Financial Asset Model* and D14 *Service Concession Arrangements – The Intangible Asset Model*, which were issued by the IFRIC in 2005 for public comment. IFRIC Interpretation 12 combines the three Draft Interpretations. The IFRIC process for developing the Interpretation (including the amendments to other IFRSs) on the basis of the three Draft Interpretations was publicly reported over a long period. The UIG also discussed major

issues during that period, with issues papers published in Australia, giving Australian entities the specific opportunity to contribute to the debate on the issues.

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.