

Explanatory Statement

Accounting Standard AASB 2007-6
Amendments to Australian Accounting
Standards arising from AASB 123

June 2007



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

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.

Reasons for Issuing AASB 2007-6

AASB 2007-6 makes amendments to the following Australian Accounting Standards and Interpretations:

1. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*;
2. AASB 101 *Presentation of Financial Statements*;
3. AASB 107 *Cash Flow Statements*;
4. AASB 111 *Construction Contracts*;
5. AASB 116 *Property, Plant and Equipment*;
6. AASB 138 *Intangible Assets*;
7. Interpretation 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*; and
8. Interpretation 12 *Service Concession Arrangements*.

These amendments arise from the issuance in June 2007 of a revised AASB 123 *Borrowing Costs*, which is the Australian equivalent to a revised IAS 23 *Borrowing Costs*.

Main Features of AASB 2007-6

Application Date

AASB 2007-6 is applicable to annual reporting periods beginning on or after 1 January 2009, with early adoption permitted for annual reporting periods beginning on or after 1 January 2005 but before 1 January 2009, provided AASB 123 is also adopted for the same period. AASB 2007-6 is applied when AASB 123 is applied.

Main Requirements

The revision of AASB 123 necessitates consequential amendments to the pronouncements listed above. The amendments principally remove references to expensing borrowing costs on qualifying assets, as AASB 123 was revised to require such borrowing costs to be capitalised.

Consultation Prior to Issuing AASB 2007-6

The AASB issued Exposure Draft ED 149 *Proposed Amendments to AASB 123 Borrowing Costs* in May 2006, which invited comments from Australian constituents on proposed amendments to the Australian equivalent to IAS 23 *Borrowing Costs*. The AASB received eight submissions on ED 149.

A Regulatory Impact Statement has not been prepared in connection with the issue of AASB 2007-6 as the amendments made do not have a substantial direct or indirect impact on business or competition, are of a minor or machinery nature and clarify existing requirements.