

Accounting Standard

AASB 1039
August 2008

Concise Financial Reports



Australian Government

**Australian Accounting
Standards Board**

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Australian Accounting Standard AASB 1039 *Concise Financial Reports* is set out in paragraphs 1 – 37. All the paragraphs have equal authority. Paragraphs in **bold type** state the main principles. AASB 1039 is to be read in the context of other Australian Accounting Standards, including AASB 1048 *Interpretation and Application of Standards*, which identifies the Australian Accounting Interpretations. In the absence of explicit guidance, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies.

PREFACE

Introduction

The Australian Accounting Standards Board (AASB) makes Australian Accounting Standards, including Interpretations, to be applied by:

- (a) entities required by the *Corporations Act 2001* to prepare financial reports;
- (b) governments in preparing financial statements for the whole of government and the General Government Sector (GGS); and
- (c) entities in the private or public for-profit or not-for-profit sectors that are reporting entities or that prepare general purpose financial statements.

Australian Accounting Standards incorporate International Financial Reporting Standards (IFRSs), including Interpretations, issued by the International Accounting Standards Board (IASB), with the addition of paragraphs on the applicability of the Standard in the Australian environment.

Australian Accounting Standards also include requirements that are specific to Australian entities. These requirements may be located in Australian Accounting Standards that incorporate IFRSs or in other Australian Accounting Standards. In most instances, these requirements are either restricted to the not-for-profit or public sectors or include additional disclosures that address domestic, regulatory or other issues. In developing requirements for public sector entities, the AASB considers the requirements of International Public Sector Accounting Standards (IPSASs), as issued by the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants.

Private sector for-profit entities complying with Australian Accounting Standards will simultaneously comply with IFRSs. Many other entities complying with Australian Accounting Standards will also simultaneously comply with IFRSs.

Reasons for Issuing AASB 1039

AASB 1039 *Concise Financial Reports* was initially issued in December 1998, in response to changes to section 314 of the Corporations Law, introduced in the *Company Law Review Act 1998* (operative 1 July 1998). Section 314 remains in the *Corporations Act 2001*, with subsection 314(1) permitting an entity to fulfil the requirement to report annually to its

members by providing an annual report on the company's website or a concise report. The contents of a concise report for a financial year are defined in subsection 314(2) and include (s314(2)(a)) "*a concise financial report for the year drawn up in accordance with accounting standards made for the purposes of this paragraph*".

The changes made by the AASB in this Standard are consequential amendments arising from Accounting Standards AASB 101 *Presentation of Financial Statements* (September 2007) and AASB 8 *Operating Segments* (February 2007) which are applicable for annual reporting periods beginning on or after 1 January 2009.

Main Features of this Standard

Application Date

The revised Standard is applicable to annual reporting periods beginning on or after 1 January 2009. Early adoption of the revised Standard is permitted for annual reporting periods beginning on or after 1 January 2005 but before 1 January 2009 provided AASB 101 (September 2007) and AASB 8 (February 2007) are also applied to the period.

Main changes from AASB 1039 (April 2005)

The main changes from AASB 1039 (April 2005) are identified below:

- (a) changes have been made to terminology and descriptions of the financial statements to achieve consistency with that used in AASB 101, which is applicable for annual reporting periods beginning on or after 1 January 2009; and
- (b) the disclosure requirements relating to segments in paragraph 29 (formerly paragraph 6.2) have been reworded to achieve consistency with the equivalent requirements in AASB 8 which is applicable for annual reporting periods beginning on or after 1 January 2009.

A Regulatory Impact Statement has not been prepared in connection with the reissue 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.

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The Australian Accounting Standards Board makes Accounting Standard AASB 1039 *Concise Financial Reports* under section 334 of the *Corporations Act 2001*.

Dated 27 August 2008

D.G. Boymal
Chair - AASB

ACCOUNTING STANDARD AASB 1039

CONCISE FINANCIAL REPORTS

Application

- 1 **This Standard applies to a concise financial report prepared by an entity in accordance with paragraph 314(2)(a) in Part 2M.3 of the Corporations Act.**
- 2 Under the Corporations Act a company, registered scheme or disclosing entity can elect to send to its members for a financial year a concise report, which includes a concise financial report, instead of the financial report.
- 3 **Where an entity is the parent of a group, this Standard applies to the consolidated financial statements of the entity and the notes to those statements, and does not require that parent financial information be provided.**
- 4 If the entity provides parent financial information in addition to consolidated financial information, the parent financial information is also subject to the requirements of this Standard.
- 5 **The requirements specified in this Standard apply to the concise financial report where information resulting from their application is material in accordance with AASB 1031 *Materiality*.**

Operative Date

- 6 **This Standard applies to annual reporting periods beginning on or after 1 January 2009.**
- 7 **This Standard may be applied to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2009**

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provided that AASB 101 *Presentation of Financial Statements* (September 2007) and AASB 8 *Operating Segments* are also applied to the period. If an entity adopts this Standard for an earlier period, it shall disclose that fact.

- 8 When applied or operative, this Standard supersedes AASB 1039 *Concise Financial Reports* made on 14 April 2005.

Purpose of Standard

- 9 The purpose of this Standard is to specify the minimum content of a concise financial report.
- 10 The requirements of the Corporations Act relating to concise financial reports are based on the view that a concise financial report can provide members with information relevant to evaluating the business, without giving them fully detailed accounting disclosures. For some members, the provision of less detailed information is expected to be sufficient to meet their needs for an understanding of the financial performance, financial position and financing and investing activities of the company, registered scheme or disclosing entity.
- 11 The minimum content required by this Standard is intended also to provide sufficient information to permit members to identify if and when they consider it would be useful to obtain more comprehensive and detailed information by requesting a copy of the financial report.

Preparation and Presentation

- 12 The financial statements and specific disclosures (identified in paragraphs 28 to 32 of this Standard) required in a concise financial report shall be derived from the financial report of the entity. Any other information included in a concise financial report shall be consistent with the financial report of the entity.
- 13 In order to achieve consistency and comparability with information included in the financial report, this Standard requires the accounting policies relating to recognition and measurement applied in the preparation of a concise financial report to be the same as those adopted in the preparation of the financial report.
- 14 This Standard prescribes the minimum information to be disclosed in a concise financial report but does not prescribe the format in which that information is presented. The format for the presentation of information in a concise financial report is developed having regard to the particular circumstances of the entity and the presentation of

relevant, reliable, understandable and comparable information about the entity's financial performance, financial position and financing and investing activities. Entities are encouraged to develop a format that best meets the information needs of their members.

- 15 The consistency required by paragraph 12 means that information voluntarily included in the concise financial report is determined in accordance with the treatment adopted in the financial report. When the information in the financial report was determined in accordance with an Accounting Standard, the same treatment is adopted in the concise financial report.
- 16 The nature and estimated magnitude of particular items are disclosed if it is likely that the concise financial report would be misleading without such disclosures.**
- 17 The content of a concise financial report specified in this Standard constitutes the minimum level of disclosure. Where there are particular features of the operations and activities of the entity that are significant, the entity may need to provide additional information in the concise financial report in order to comply with paragraph 16. Similarly, members benefit from industry-specific disclosures, for example, disclosure of additional information by mining companies in relation to exploration and evaluation expenditure and decommissioning costs, and by banks and other financial institutions in relation to doubtful debts.

Financial Statements

- 18 A concise financial report shall include the following financial statements:**
- (a) a statement of comprehensive income for the annual reporting period;**
 - (b) a statement of financial position as at the end of the annual reporting period;**
 - (c) a statement of cash flows for the annual reporting period; and**
 - (d) a statement of changes in equity for the annual reporting period.**
- 19 In accordance with paragraph 81 of AASB 101 *Presentation of Financial Statements*, issued in September 2007, an entity may present

all items of income and expense recognised in a period in a single statement of comprehensive income or as two statements: a statement displaying components of profit or loss (separate income statement) and a second statement beginning with profit or loss and displaying components of other comprehensive income (statement of comprehensive income).

- 20 Each financial statement shall be presented as it is in the financial report, in accordance with other Accounting Standards, except for the omission of cross-references to notes to the financial statements in the financial report.**
- 21 All the notes to the financial statements required by other Accounting Standards are not required in the concise financial report. For example, this Standard does not require an entity that uses the direct method in the statement of cash flows to provide a reconciliation of cash flows arising from operating activities to profit or loss. However, information required in some notes by other Accounting Standards is required when specified in this Standard.
- 22 It is recommended that the financial statements in the concise financial report be cross-referenced, where appropriate, to disclosures included in the concise financial report.
- 23 When the entity is a parent and only the consolidated financial statements are presented, the lack of financial statements for the parent would not be regarded as contravening paragraph 21.
- 24 The financial statements of entities other than listed companies shall be accompanied by discussion and analysis to assist the understanding of members.**
- 25 Listed companies are not required by this Standard to provide discussion and analysis in the concise financial report because, unlike other entities, they are required by section 299A of the Corporations Act to provide an operational and financial report in the Directors' Report that is part of the concise report. Paragraph 24 only exempts listed companies from the statutory obligation to provide discussion and analysis of the financial statements. It does not prohibit a listed company from providing any discussion and analysis that it considers would assist a reader to understand the financial statements in the concise financial report.
- 26 The information reported in the financial statements will be enhanced by a discussion and analysis of the principal factors affecting the financial performance, financial position and financing and investing activities of the entity. The extent of the discussion and analysis

provided will vary from entity to entity, and from year to year, as is necessary in the circumstances to help compensate for the brevity of the concise financial report compared with the financial report.

- 27 In most situations, the content of the discussion and analysis would cover at least the following areas:
- (a) in relation to the statement of comprehensive income:
 - (i) trends in revenues;
 - (ii) the effects of significant economic or other events on the operations of the entity;
 - (iii) the main influences on costs of operations; and
 - (iv) measures of financial performance such as return on sales, return on assets and return on equity;
 - (b) in relation to the statement of financial position:
 - (i) changes in the composition of assets;
 - (ii) the relationship between debt and equity; and
 - (iii) significant movements in assets, liabilities and equity items;
 - (c) in relation to the statement of cash flows:
 - (i) changes in cash flows from operations;
 - (ii) financing of capital expenditure programs; and
 - (iii) servicing and repayment of borrowings; and
 - (d) in relation to the statement of changes in equity:
 - (i) changes in the composition of the components of equity; and
 - (ii) causes of significant changes in subscribed capital, such as rights issues, share buy-backs or capital reductions.

Specific Disclosures

- 28** When the entity has prepared its financial report on the basis that the entity is not a going concern, or where the going concern basis has become inappropriate after the reporting date, this fact shall be disclosed.
- 29** The following information shall be disclosed for each reportable segment identified in the financial report in accordance with *AASB 8 Operating Segments*:
- (a) revenues from sales to external customers and revenues from transactions with other operating segments of the same entity if the specified amounts are included in the measure of segment profit or loss reviewed by the chief operating decision maker or are otherwise regularly provided to the chief operating decision maker, even if not included in that measure of segment profit or loss;
 - (b) a measure of profit or loss;
 - (c) a measure of total assets; and
 - (d) a measure of liabilities if such amount is regularly provided to the chief operating decision maker.
- 30** The following items for the period shall be disclosed even if the amounts are zero (since these items are material by their nature):
- (a) the amount of sales revenue recognised and included in revenue in accordance with *AASB 118 Revenue*;
 - (b) the amount of dividends, in aggregate and per share, in respect of each class of shares included in equity, identifying:
 - (i) dividends paid during the period and date of payment; and
 - (ii) dividends proposed or declared before the financial report was authorised for issue, and the expected date of payment, separately identifying, where relevant, those recognised from those not recognised as a distribution to equity holders during the period;

- (c) in respect of each dividend disclosed in accordance with paragraph 30(b) of this Standard, the amount, in aggregate and per share, of the dividend that:
 - (i) has been or will be franked and the tax rate at which the dividend has been or will be franked; and
 - (ii) has not been or will not be franked; and
- (d) where the entity is required to comply with AASB 133 *Earnings per Share*, the amount of basic earnings per share and diluted earnings per share.

31 The following items shall be disclosed:

- (a) the presentation currency used;
- (b) in respect of each event occurring after the reporting date that does not relate to conditions existing at the reporting date, the information required by paragraph 21 of AASB 110 *Events After the Balance Sheet Date*; and
- (c) where there is a change in accounting policy or estimates from those used in the preceding reporting period, or a correction of a prior period error, which has a material effect in the current reporting period or is expected to have a material effect in a subsequent reporting period, the information required about such a change or correction by the relevant Accounting Standards that are applicable to the current reporting period.

32 The concise financial report for the period when an entity first adopts Australian equivalents to IFRSs shall provide directions as to the location in the financial report of the reconciliations and other disclosures required by paragraphs 39 and 40 of AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. A summary of this information shall be included in the concise financial report.

Relationship to Financial Report

33 The first page of the concise financial report shall prominently display advice to the effect that:

- (a) the concise financial report is an extract from the financial report;

- (b) **the financial statements and specific disclosures included in the concise financial report have been derived from the financial report;**
- (c) **the concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the entity as the financial report; and**
- (d) **further financial information can be obtained from the financial report and that the financial report is available, free of charge, on request to the entity.**

Comparative Information

- 34 Any requirements relating to comparative information in other Accounting Standards that have been adopted in the preparation of the financial report are applicable in this Standard.
- 35 When disclosure is not required with respect to the current reporting period for an item in paragraphs 28 to 32 of this Standard but was required in the preceding reporting period, it is still necessary to disclose the comparative information.

Definitions

- 36 **In this Standard, technical terms have the same meaning as in the relevant Accounting Standards applied in the preparation of the financial report for the current reporting period.**
- 37 **The terms ‘concise report’, ‘concise financial report’, ‘financial report’, ‘listed company’ and ‘members’ have the meanings as given or used in Chapter 2M of the Corporations Act.**