

Explanatory Statement

Accounting Standard AASB 2010-2
Amendments to Australian Accounting
Standards arising from Reduced
Disclosure Requirements

June 2010



Australian Government

**Australian Accounting
Standards Board**

EXPLANATORY STATEMENT

Reasons for Issuing AASB 2010-2

This Standard makes amendments to the following Australian Accounting Standards and Interpretations:

1. AASB 1 *First-time Adoption of Australian Accounting Standards*;
2. AASB 2 *Share-based Payment*;
3. AASB 3 *Business Combinations*;
4. AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*;
5. AASB 7 *Financial Instruments: Disclosures*;
6. AASB 8 *Operating Segments*;
7. AASB 101 *Presentation of Financial Statements*;
8. AASB 102 *Inventories*;
9. AASB 107 *Statement of Cash Flows*;
10. AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*;
11. AASB 110 *Events after the Reporting Period*;
12. AASB 111 *Construction Contracts*;
13. AASB 112 *Income Taxes*;
14. AASB 116 *Property, Plant and Equipment*;
15. AASB 117 *Leases*;
16. AASB 119 *Employee Benefits*;
17. AASB 121 *The Effects of Changes in Foreign Exchange Rates*;
18. AASB 123 *Borrowing Costs*;
19. AASB 124 *Related Party Disclosures*;
20. AASB 127 *Consolidated and Separate Financial Statements*;
21. AASB 128 *Investments in Associates*;
22. AASB 131 *Interests in Joint Ventures*;
23. AASB 133 *Earnings per Share*;

24. AASB 134 *Interim Financial Reporting*;
25. AASB 136 *Impairment of Assets*;
26. AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*;
27. AASB 138 *Intangible Assets*;
28. AASB 140 *Investment Property*;
29. AASB 141 *Agriculture*;
30. AASB 1050 *Administered Items*;
31. AASB 1052 *Disaggregated Disclosures*;
32. Interpretation 2 *Members' Shares in Co-operative Entities and Similar Instruments*;
33. Interpretation 4 *Determining whether an Arrangement contains a Lease*;
34. Interpretation 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*;
35. Interpretation 15 *Agreements for the Construction of Real Estate*;
36. Interpretation 17 *Distributions of Non-cash Assets to Owners*;
37. Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*;
38. Interpretation 129 *Service Concession Arrangements: Disclosures*;
and
39. Interpretation 1052 *Tax Consolidation Accounting*;

as a consequence of the adoption of a revised differential financial reporting framework under AASB 1053 *Application of Tiers of Australian Accounting Standards*.

Main Features of AASB 2010-2

This Standard sets out the disclosure requirements from which entities applying the second Tier of reporting requirements are exempt. It adds paragraphs to various Standards that state the exemptions that apply under reduced disclosure requirements. Each amended Standard also shows the relevant exemptions in shaded text. Where necessary, reduced disclosure requirements suitable for Tier 2 entities are included in the form of RDR paragraphs.

Application Date

This Standard applies for annual reporting periods beginning on or after 1 July 2013. Earlier application is permitted for annual reporting periods beginning on or after 1 July 2009 but before 1 July 2013, provided that AASB 1053 is also applied for the period.

Consultation Prior to Issuing this Standard

The AASB issued Invitation to Comment (ITC) 12 *Request for Comment on a Proposed Revised Differential Reporting Regime for Australia and IASB Exposure Draft of A Proposed IFRS for Small and Medium-sized Entities* in May 2007 with proposals for a second tier of reporting requirements based on a future *IFRS for SMEs*. ITC 12 also proposed that the entities that could avail themselves of a second tier of reporting requirements would be determined largely on the basis of size thresholds.

Roundtables were held in Melbourne and Sydney to seek constituents' views on ITC 12 proposals and a total of 43 substantive written submissions were received on ITC 12. While constituents in general supported differential reporting, most constituents rejected using size thresholds to distinguish between entities falling under different Tiers on the basis that such thresholds are difficult to determine and are arbitrary in their impact.

Following consideration of the responses to ITC 12, the AASB issued a Consultation Paper titled *Reducing the Burden of Financial Reporting Requirements: A Proposed Reduced Disclosure Regime for Non-publicly Accountable For-profit Private Sector Entities and Certain Entities in the Not-for-profit Private Sector and Public Sector* and an Exposure Draft ED 192 *Revised Differential Reporting Framework* in February 2010.

ED 192 sought constituents' views on a proposed reduced disclosure regime as a second Tier of reporting requirements preparing general purpose financial statements. It included proposed disclosure requirements under a Reduced Disclosure Regime.

Constituents views were also sought about the adoption of the International Accounting Standards Board's *IFRS for SMEs* as an alternative to the Reduced Disclosure Regime. Further roundtables were held in Melbourne and Sydney to seek constituents' views on ED 192 (and the related Consultation Paper) proposals. A total of 42 substantive submissions were received on ED 192. Constituents generally supported the creation of a second Tier of reporting requirements for preparing general purpose financial statements. A majority of respondents supported the proposed reduced disclosure regime as the second Tier.

A Regulation Impact Statement has been prepared in connection with the issue of this Standard and AASB 1053 *Application of Tiers of Australian Accounting Standards* that provides an analysis of costs and benefits of different Options for reducing the reporting burden of Australian entities.