

# **Explanatory Statement**

**Accounting Standard AASB 2011-1**  
***Amendments to Australian Accounting***  
***Standards arising from the Trans-***  
***Tasman Convergence Project***

**May 2011**



**Australian Government**

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**Australian Accounting  
Standards Board**

## EXPLANATORY STATEMENT

### Reasons for Issuing AASB 2011-1

This Standard makes amendments to the following Australian Accounting Standards (including Interpretations):

1. AASB 1 *First-time Adoption of Australian Accounting Standards*
2. AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*
3. AASB 101 *Presentation of Financial Statements*
4. AASB 107 *Statement of Cash Flows*
5. AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*
6. AASB 121 *The Effects of Changes in Foreign Exchange Rates*
7. AASB 128 *Investments in Associates*
8. AASB 132 *Financial Instruments: Presentation*
9. AASB 134 *Interim Financial Reporting*
10. Interpretation 2 *Members' Shares in Co-operative Entities and Similar Instruments*
11. Interpretation 112 *Consolidation – Special Purpose Entities*
12. Interpretation 113 *Jointly Controlled Entities – Non-monetary Contributions by Venturers.*

This Standard was made by the AASB in May 2011 as a consequence of Phase 1 of the joint Trans-Tasman Convergence project of the AASB and the Financial Reporting Standards Board (FRSB) of the New Zealand Institute of Chartered Accountants.

At the October 2009 joint meeting, the AASB and the FRSB formalised a project for harmonising differences between the Australian Accounting Standards and New Zealand equivalents to International Financial Reporting Standards (NZ IFRSs).

The Boards have been working on convergence issues for some years to promote harmonisation of financial reporting standards across the Tasman. The Boards' efforts were given impetus by the Joint Prime Ministerial Statement of Intent and the Single Economic Market Outcome Proposals issued by the then Prime Ministers of both countries in August 2009, which was revised in June 2010. Those Outcome Proposals include enabling for-profit entities to prepare only one set of financial statements that would be recognised in both jurisdictions.

The project is divided into the following three phases:

- (a) Phase 1 has addressed the harmonisation of financial reporting requirements across the Tasman in relation to for-profit entities that assert compliance with International Financial Reporting Standards (IFRSs). The Boards were keen to first address differences from IFRSs and between Australian and New Zealand Standards as they apply to for-profit entities, on the basis that such entities are the most likely to claim compliance with IFRSs and trade across the Tasman;
- (b) a possible Phase 2 would specifically address differences affecting private not-for-profit entities; and
- (c) a possible Phase 3 would address differential reporting and qualifying entity differences.

Whilst entities currently applying Australian Accounting Standards and New Zealand Financial Reporting Standards are able to make an explicit and unreserved statement of compliance with IFRSs, the Boards decided to have closer alignment to IFRSs, by eliminating any unnecessary variation from IFRS wording. In particular, the Boards decided to use the IFRSs as the basis for eliminating Trans-Tasman differences. This is on the basis that if one jurisdiction did not see a need to modify the relevant IFRS and has not experienced adverse consequences, the other jurisdiction should consider the removal of the modification.

Accordingly for Phase 1, the Boards utilised the following principles in removing the differences between the Australian and New Zealand Standards:

- (a) eliminate differences from IFRSs, where possible; and
- (b) in cases where a disclosure requirement additional to IFRSs is of such importance that it should be retained, the additional disclosure requirement has been harmonised with the equivalent New Zealand requirement to the extent possible and relocated to a new Standard.

Accordingly, the AASB has made:

- (a) this Standard, dealing with the necessary amendments to Australian Accounting Standards; and
- (b) AASB 1054 *Australian Additional Disclosures*, which contains the Australian-specific disclosures that are in addition to IFRSs. In reaching their decision on the location of additional disclosures (separate disclosure standard versus within topic-based Standards), the Boards placed emphasis on bringing the wording of Australian and New Zealand Standards closer to IFRSs.

## **Main Features of AASB 2011-1**

This Standard makes numerous amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards.

The amendments include:

- (a) deletion of guidance, requirements or definitions from a Standard/Interpretation and addition of requirements to a Standard/Interpretation for alignment with IFRSs;
- (b) deletion of definitions or disclosure requirements from a Standard for relocation to AASB 1054; and
- (c) deletion of disclosure requirements from a Standard to harmonise with the equivalent New Zealand disclosure requirement and relocation to AASB 1054.

In some instances, the AASB has removed guidance and definitions from Australian Accounting Standards for conformity of drafting with IFRSs but without any intention to change requirements.

## **Application Date**

The Standard is applicable to annual reporting periods beginning on or after 1 July 2011. Early adoption is permitted for annual reporting periods beginning on or after 1 January 2005 but before 1 July 2011, provided that AASB 1054 is also adopted early for the same period.

Specific amendments may individually be adopted early. When an entity elects to early adopt an amendment in this Standard, it must also early adopt the relevant disclosure requirements in AASB 1054.

## **Consultation Prior to Issuing this Standard**

In July 2010, the AASB and the FRSB jointly issued:

- (a) AASB ED 200A / FRSB ED 121 *Proposals to Harmonise Australian and New Zealand Standards in Relation to Entities Applying IFRSs as Adopted in Australia and New Zealand*; and
- (b) AASB ED 200B / FRSB ED 122 *Proposed Separate Disclosure Standards*.

The AASB received a total of twelve submissions from Australian constituents on ED 200A and ED 200B. Submissions received were generally supportive.

A Regulation Impact Statement has not been prepared in connection with the issuance of this Standard and AASB 1054 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.