

Explanatory Statement

Accounting Standard AASB 2016-2
Amendments to Australian Accounting Standards – Disclosure
Initiative: Amendments to AASB 107

March 2016



Australian Government

**Australian Accounting
Standards Board**

EXPLANATORY STATEMENT

Standards Amended by AASB 2016-2

This Standard makes amendments to Accounting Standard AASB 107 *Statement of Cash Flows* (August 2015). These amendments arise from the issuance of International Financial Reporting Standard *Disclosure Initiative (Amendments to IAS 7)* by the International Accounting Standards Board (IASB) in January 2016.

Power to Make Amendments

Under subsection 33(3) of the *Acts Interpretation Act 1901*, where an Act confers a power to make, grant or issue any instrument of a legislative or administrative character (including rules, regulations or by-laws), the power shall be construed as including a power exercisable in the like manner and subject to the like conditions (if any) to repeal, rescind, revoke, amend, or vary any such instrument. Accordingly, the AASB has the power to amend the Accounting Standards that are made by the AASB as legislative instruments under the *Corporations Act 2001*.

Main Features of AASB 2016-2

Main Requirements

This Standard amends AASB 107 *Statement of Cash Flows* (August 2015) to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The new disclosure requirements do not apply to entities preparing general purpose financial statements complying with Tier 2 reporting requirements.

Application Date

AASB 2016-2 is applicable to annual periods beginning on or after 1 January 2017. Earlier application is permitted.

References to Other AASB Standards

References in this Standard to the titles of other AASB Standards that are legislative instruments are to be construed as references to those other Standards as originally made and as amended from time to time and incorporate provisions of those Standards as in force from time to time.

Consultation Prior to Issuing this Standard

The AASB issued Exposure Draft ED 258 *Disclosure Initiative (Proposed amendments to AASB 107)* in December 2014 for comment by 20 March 2015. ED 258 incorporated IASB Exposure Draft ED/2014/6 *Disclosure Initiative (Proposed amendments to IAS 7)*. Eight submissions were received by the AASB in respect of the proposals in ED 258. In addition, the AASB conducted meetings with several key constituents in respect of the proposals. Constituents were generally not supportive of the proposals for reasons including the timing of the project and concerns about the proposed reconciliation of certain statement of financial position items. The AASB considered the comments it received in making its submission to the IASB on ED/2014/6, and expressed reservations about the proposals.

The IASB made several changes to the proposed amendments based on the feedback received. The amendments set out a disclosure objective, permitting flexibility in the way that entities can satisfy the requirements. A reconciliation of statement of financial position items may be one way to satisfy the requirements, but is not necessary. The proposed extended disclosures about an entity's liquidity were not adopted. Having regard to concerns expressed on the ED, the AASB conducted outreach with several key constituents and determined that there was general support for adopting the amended proposals for entities applying Tier 1 reporting requirements. The AASB considered the comments it received in finalising AASB 2016-2.

A Regulation Impact Statement (RIS) has not been prepared in connection with the issue of AASB 2016-2 as the amendments made do not have a substantial direct or indirect impact on business or competition.

Statement of Compatibility with Human Rights

Prepared in accordance with Part 3 of the
Human Rights (Parliamentary Scrutiny) Act 2011

Accounting Standard AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*

Overview of the Accounting Standard

This Standard amends AASB 107 *Statement of Cash Flows* (August 2015) to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

Human Rights Implications

This Standard is issued by the AASB in furtherance of the objective of facilitating the Australian economy. It does not diminish or limit any of the applicable human rights or freedoms, and thus does not raise any human rights issues.

Conclusion

This Standard is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.