

**EXPLANATORY STATEMENT for**  
**ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument**  
**2016/191**

Prepared by the Australian Securities and Investments Commission

*Corporations Act 2001*

The Australian Securities and Investments Commission (ASIC) makes *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* under subsections 341(1) and 992B(1) of the *Corporations Act 2001* (the Corporations Act).

Subsection 341(1) provides that ASIC may make an order in writing in respect of a specified class of companies, registered schemes or disclosing entities, relieving any of the directors, the companies, registered schemes or disclosing entities themselves, or the auditors of the companies, registered schemes or disclosing entities from all or specified requirements of Parts 2M.2, 2M.3 and 2M.4 (other than Division 4) of the Corporations Act.

Subsection 992B(1) provides that ASIC may declare that Part 7.8 of the Act applies in relation to a person or a financial product, or a class of persons or financial products, as if specified provisions were omitted, modified or varied as specified in the declaration.

## **1. Background**

Part 2M.3 of the Corporations Act requires specified entities to prepare and lodge with ASIC a financial report, directors' report and auditor's report (Pt 2M.3 reports). In addition, these reports must be circulated or made available to members.

The Corporations Act specifies the information to be included in the directors' report and requires the financial report to be prepared in accordance with accounting standards. An entity is required to keep financial records that would enable true and fair financial statements to be prepared and audited.

The Corporations Act and accounting standards require amounts to be disclosed in the Pt 2M.3 reports. Amounts disclosed will include the amounts recorded in the entity's financial records.

In the absence of ASIC relief, entities preparing financial reports under the Corporations Act would be required to present amounts to the lowest level (e.g. cents).

For larger entities, disclosure of the exact amounts from the financial records would result in unnecessary clutter in the reports. Excessive detail can detract from the usefulness of the financial statements to users as they become more difficult to read and important information may be obscured.

## **2. Purpose of the instrument**

The instrument generally allows entities to round the amounts presented in the Pt 2M.3 reports to at least the nearest thousand dollars. The extent to which rounding is allowed may vary depending on the nature or amount of the item being disclosed.

Class Order [CO 98/100] is repealed by Schedule 2 to the *ASIC Corporations (Amendment and Repeal) Instrument 2016/182*.

## **3. Operation of the instrument**

The extent to which amounts can be rounded depends upon both the amount of assets recorded in an entity's balance sheet or consolidated balance sheet and the nature of the item for which an amount is presented.

Where an amount is rounded any comparative amount must be also be rounded. If rounding causes the amount and the comparative amount of an item to become nil, the item need not be disclosed.

The instrument applies to reports prepared and lodged for a financial year or half-year.

An entity must disclose in its financial report that the instrument applies and amounts have been rounded in accordance with the instrument. The extent to which amounts have been rounded must be disclosed on each page where rounding has occurred.

## **4. Consultation**

ASIC has consulted with stakeholders through Consultation Paper 240 which was issued on 1 October 2015 and was open for comment to 30 October 2015.

The Office of Best Practice Regulation has assessed that a Regulatory Impact Statement is not necessary for this instrument.

## **Statement of Compatibility with Human Rights**

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

### **ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191**

*ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 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.*

#### **Overview**

The objective of the legislative instrument is to permit entities to round amounts in the financial and directors' reports.

#### **Human rights implications**

This legislative instrument does not engage any of the applicable rights or freedoms.

#### **Conclusion**

This legislative instrument is compatible with human rights as it does not raise any human rights issues.

**Australian Securities and Investments Commission**