

AASB Standard

AASB 2019-1

May 2019

Amendments to Australian Accounting Standards – References to the Conceptual Framework



Australian Government

**Australian Accounting
Standards Board**

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<p>Australian Accounting Standard AASB 2019-1 <i>Amendments to Australian Accounting Standards – References to the Conceptual Framework</i> is set out on pages 6 – 53. All the paragraphs have equal authority.</p>
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Preface

Standards amended by AASB 2019-1

This Standard makes amendments to the Australian Accounting Standards, Interpretations and other pronouncements listed on pages 6 to 7 of the Standard.

These amendments arise from the issuance of the *Conceptual Framework for Financial Reporting* and the International Financial Reporting Standard *Amendments to References to the Conceptual Framework in IFRS Standards* by the International Accounting Standards Board (IASB) in March 2018.

Main features of this Standard

Main requirements

This Standard sets out amendments to Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the *Conceptual Framework for Financial Reporting (Conceptual Framework)* by the AASB.

The application of the *Conceptual Framework* is at present limited to:

- (a) for-profit private sector entities that have public accountability and are required by legislation to comply with Australian Accounting Standards; and
- (b) other for-profit entities that voluntarily elect to apply the *Conceptual Framework*, which would permit compliance with Australian Accounting Standards (Tier 1) and International Financial Reporting Standards (IFRS Standards).

This Standard makes amendments to Australian Accounting Standards, Interpretations and other pronouncements to permit other entities to continue using the *Framework for the Preparation and Presentation of Financial Statements* adopted by the AASB in 2004 (*Framework*) and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* to determine whether they are a reporting entity that needs to prepare general purpose financial statements that comply with Australian Accounting Standards.

Some Australian Accounting Standards, Interpretations and other pronouncements contain references to, or quotations from, the *Framework*. This Standard updates some of those references and quotations so that they refer to the *Conceptual Framework*, and makes other amendments to clarify which version of the conceptual framework is referred to in particular pronouncements.

If an entity is required to apply the *Conceptual Framework*, it cannot identify as a non-reporting entity under SAC 1. The entity will therefore need to prepare general purpose financial statements that comply with Australian Accounting Standards.

Application date

This Standard applies to annual periods beginning on or after 1 January 2020. Earlier application is permitted.

Accounting Standard AASB 2019-1

The Australian Accounting Standards Board makes Accounting Standard AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework* under section 334 of the *Corporations Act 2001*.

Dated 21 May 2019

Kris Peach
Chair – AASB

Accounting Standard AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*

Objective

This Standard amends:

- (a) the *Framework for the Preparation and Presentation of Financial Statements* (July 2004);
- (b) Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* (August 1990);
- (c) AASB 2 *Share-based Payment* (July 2015);
- (d) AASB 3 *Business Combinations* (August 2015);
- (e) AASB 6 *Exploration for and Evaluation of Mineral Resources* (August 2015);
- (f) AASB 7 *Financial Instruments: Disclosures* (August 2015);
- (g) AASB 8 *Operating Segments* (August 2015);
- (h) AASB 9 *Financial Instruments* (December 2014);
- (i) AASB 10 *Consolidated Financial Statements* (July 2015);
- (j) AASB 12 *Disclosure of Interests in Other Entities* (August 2015);
- (k) AASB 14 *Regulatory Deferral Accounts* (June 2014);
- (l) AASB 17 *Insurance Contracts* (July 2017);
- (m) AASB 101 *Presentation of Financial Statements* (July 2015);
- (n) AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* (August 2015);
- (o) AASB 110 *Events after the Reporting Period* (August 2015);
- (p) AASB 112 *Income Taxes* (August 2015);
- (q) AASB 116 *Property, Plant and Equipment* (August 2015);
- (r) AASB 119 *Employee Benefits* (August 2015);
- (s) AASB 121 *The Effects of Changes in Foreign Exchange Rates* (August 2015);
- (t) AASB 124 *Related Party Disclosures* (July 2015);
- (u) AASB 128 *Investments in Associates and Joint Ventures* (August 2015);
- (v) AASB 132 *Financial Instruments: Presentation* (August 2015);
- (w) AASB 133 *Earnings per Share* (August 2015);
- (x) AASB 134 *Interim Financial Reporting* (August 2015);
- (y) AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* (August 2015);
- (z) AASB 138 *Intangible Assets* (August 2015);
- (aa) AASB 139 *Financial Instruments: Recognition and Measurement* (August 2015);
- (bb) AASB 140 *Investment Property* (August 2015);
- (cc) AASB 1023 *General Insurance Contracts* (July 2004);
- (dd) AASB 1038 *Life Insurance Contracts* (July 2004);

- (ee) AASB 1048 *Interpretation of Standards* (December 2017);
- (ff) AASB 1053 *Application of Tiers of Australian Accounting Standards* (June 2010);
- (gg) AASB 1054 *Australian Additional Disclosures* (May 2011);
- (hh) AASB 1055 *Budgetary Reporting* (March 2013);
- (ii) AASB 1056 *Superannuation Entities* (June 2014);
- (jj) AASB 1057 *Application of Australian Accounting Standards* (July 2015);
- (kk) Interpretation 12 *Service Concession Arrangements* (August 2015);
- (ll) Interpretation 16 *Hedges of a Net Investment in a Foreign Operation* (August 2015);
- (mm) Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments* (August 2015);
- (nn) Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine* (August 2015);
- (oo) Interpretation 22 *Foreign Currency Transactions and Advance Consideration* (February 2017);
- (pp) Interpretation 132 *Intangible Assets—Web Site Costs* (August 2015);
- (qq) Interpretation 1003 *Australian Petroleum Resource Rent Tax* (November 2007);
- (rr) Interpretation 1019 *The Superannuation Contributions Surcharge* (September 2004);
- (ss) Interpretation 1031 *Accounting for the Goods and Services Tax (GST)* (July 2004);
- (tt) Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* (December 2007);
- (uu) Interpretation 1047 *Professional Indemnity Claims Liabilities in Medical Defence Organisations* (December 2014);
- (vv) Interpretation 1052 *Tax Consolidation Accounting* (June 2015); and
- (ww) AASB Practice Statement 2 *Making Materiality Judgements* (December 2017);

as a consequence of the issuance of the *Conceptual Framework for Financial Reporting* and the International Financial Reporting Standard *Amendments to References to the Conceptual Framework in IFRS Standards* by the International Accounting Standards Board (IASB) in March 2018.

Application

The amendments set out in this Standard apply to entities and financial statements in accordance with the application of the other Standards and Interpretations set out in AASB 1057 *Application of Australian Accounting Standards* (as amended).

This Standard applies to annual periods beginning on or after 1 January 2020.

This Standard may be applied to annual periods beginning before 1 January 2020. When an entity applies this Standard to such an annual period, it shall disclose that fact.

This Standard uses underlining, striking out and other typographical material to identify some of the amendments to a pronouncement, in order to make the amendments more understandable. However, the amendments made by this Standard do not include that underlining, striking out or other typographical material. Amended paragraphs are shown with deleted text struck through and new text underlined. Ellipses (...) are used to help provide the context within which amendments are made and also to indicate text that is not amended.

Amendments to the *Framework for the Preparation and Presentation of Financial Statements*

Paragraphs Aus1.2A and Aus1.2B are added.

Application

...

Aus1.2A This Framework does not apply in relation to reporting periods beginning on or after 1 January 2020 to:

- (a) for-profit private sector entities that have public accountability* and are required by legislation to comply with Australian Accounting Standards; and
 - (b) other for-profit entities that elect to apply the *Conceptual Framework for Financial Reporting* and the consequential amendments to other pronouncements set out in *AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework*;
- except as otherwise required by Australian Accounting Standards.

* The term ‘public accountability’ is defined in AASB 1053 *Application of Tiers of Australian Accounting Standards*.

Aus1.2B If an entity identified in paragraph Aus1.2A elects to apply the *Conceptual Framework for Financial Reporting* to an annual reporting period beginning before 1 January 2020, the entity shall not apply this Framework to that period, except as otherwise required by Australian Accounting Standards.

Amendments to Statement of Accounting Concepts SAC 1

Paragraphs 2A and 2B are added.

Application and Operative Date

...

2A This Statement does not apply in relation to reporting periods beginning on or after 1 January 2020 to:

- (a) for-profit private sector entities that have public accountability* and are required by legislation to comply with Australian Accounting Standards; and
- (b) other for-profit entities that elect to apply the *Conceptual Framework for Financial Reporting* and the consequential amendments to other pronouncements set out in *AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework*.

* The term ‘public accountability’ is defined in AASB 1053 *Application of Tiers of Australian Accounting Standards*.

2B If an entity identified in paragraph 2A elects to apply the *Conceptual Framework for Financial Reporting* to an annual reporting period beginning before 1 January 2020, the entity shall not apply this Statement to that period.

Amendments to AASB 2

Paragraphs AusCF1 and 63E are added.

Objective

...

AusCF1 AusCF paragraphs and footnotes included in this Standard apply only to:

- (a) not-for-profit entities; and
- (b) for-profit entities that are not applying the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*).

Such entities are referred to as ‘AusCF entities’. For AusCF entities, the term ‘reporting entity’ is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. For-profit entities applying the *Conceptual Framework for*

Financial Reporting (as set out in paragraph Aus1.1 of the *Conceptual Framework*) shall not apply AusCF paragraphs or footnotes.

Effective date

...

63E AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework, issued in 2019, added paragraph AusCF1 and amended the footnote to the definition of an equity instrument in Appendix A. An entity shall apply the amendments for annual periods beginning on or after 1 January 2020. Earlier application is permitted if at the same time an entity also applies all other amendments made by AASB 2019-1. An entity shall apply the amendments to AASB 2 retrospectively, subject to (in the case of the amendment to Appendix A) the transitional provisions in paragraphs 53–59 of this Standard, in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. However, if an entity determines that retrospective application would be impracticable or would involve undue cost or effort, it shall apply the amendments to AASB 2 by reference to paragraphs 23–28, 50–53 and 54F of AASB 108.

In Appendix A, the footnote to the definition of an equity instrument is amended and an AusCF footnote is added.

5 The *Framework for the Preparation and Presentation of Financial Statements–Conceptual Framework for Financial Reporting* issued in 2019 defines a liability as a present obligation of the entity arising from to transfer an economic resource as a result of past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits (ie an outflow of cash or other assets of the entity).

AusCF5 Notwithstanding footnote 5, in respect of AusCF entities, the Framework for the Preparation and Presentation of Financial Statements defines a liability as a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits (ie an outflow of cash or other assets of the entity).

Amendments to AASB 3

Paragraph AusCF1 is added. In paragraph 11, the footnote to the *Framework for the Preparation and Presentation of Financial Statements* is amended and footnote AusCF1 is added.

Objective

...

AusCF1 AusCF paragraphs and footnotes included in this Standard apply only to:

- (a) not-for-profit entities; and
- (b) for-profit entities that are not applying the Conceptual Framework for Financial Reporting (as identified in AASB 1048 Interpretation of Standards).

Such entities are referred to as ‘AusCF entities’. For AusCF entities, the term ‘reporting entity’ is defined in AASB 1057 Application of Australian Accounting Standards and Statement of Accounting Concepts SAC 1 Definition of the Reporting Entity also applies. For-profit entities applying the Conceptual Framework for Financial Reporting (as set out in paragraph Aus1.1 of the Conceptual Framework) shall not apply AusCF paragraphs or footnotes.

...

Recognition conditions

11 To qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must meet the definitions of assets and liabilities in the *Framework for the Preparation and Presentation of Financial Statements*^{1-AusCF1} at the acquisition date. For example, costs the acquirer expects but is not obliged to incur in the future to effect its plan to exit an activity of an acquiree or to terminate the employment of or relocate an acquiree’s employees are not liabilities at the acquisition date. Therefore, the acquirer does not recognise those costs as part of applying the acquisition method. Instead, the acquirer recognises those costs in its post-combination financial statements in accordance with other Australian Accounting Standards.

1 In December 2013 the AASB amended the Framework for the Preparation and Presentation of Financial Statements. For this Standard, acquirers are required to apply the definitions of an asset and a liability and supporting guidance in the Framework for the Preparation and Presentation of Financial Statements adopted by the AASB in 2004 rather than the Conceptual Framework for Financial Reporting issued in 2019.

AusCF1 Notwithstanding footnote 1, in respect of AusCF entities, in December 2013 the AASB amended the *Framework for the Preparation and Presentation of Financial Statements*.

Amendments to AASB 6

Paragraph 10 is amended and paragraphs AusCF1, AusCF10 and 26A are added.

Objective

...

AusCF1 AusCF paragraphs included in this Standard apply only to:

(a) not-for-profit entities; and

(b) for-profit entities that are not applying the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*).

Such entities are referred to as ‘AusCF entities’. For AusCF entities, the term ‘reporting entity’ is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. For-profit entities applying the *Conceptual Framework for Financial Reporting* (as set out in paragraph Aus1.1 of the *Conceptual Framework*) shall not apply AusCF paragraphs.

...

Elements of cost of exploration and evaluation assets

...

10 Expenditures related to the development of mineral resources shall not be recognised as exploration and evaluation assets. The ~~*Framework for the Preparation and Presentation of Financial Statements*~~ *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*) and AASB 138 *Intangible Assets* provide guidance on the recognition of assets arising from development.

AusCF10 Notwithstanding paragraph 10, in respect of AusCF entities, expenditures related to the development of mineral resources shall not be recognised as exploration and evaluation assets. The *Framework for the Preparation and Presentation of Financial Statements* (as identified in AASB 1048 *Interpretation of Standards*) and AASB 138 *Intangible Assets* provide guidance on the recognition of assets arising from development.

...

Effective date

...

26A AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*, issued in 2019, added AusCF paragraphs and amended paragraph 10. An entity shall apply the amendments for annual periods beginning on or after 1 January 2020. Earlier application is permitted if at the same time an entity also applies all other amendments made by AASB 2019-1. An entity shall apply the amendments to AASB 6 retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. However, if an entity determines that retrospective application would be impracticable or would involve undue cost or effort, it shall apply the amendments to AASB 6 by reference to paragraphs 23–28, 50–53 and 54F of AASB 108.

Amendments to AASB 7

Paragraph AusCF1 is added.

Objective

...

AusCF1 AusCF entities are:

(a) not-for-profit entities; and

- (b) for-profit entities that are not applying the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*).

For AusCF entities, the term ‘reporting entity’ is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. For-profit entities applying the *Conceptual Framework for Financial Reporting* are set out in paragraph Aus1.1 of the *Conceptual Framework*.

Amendments to AASB 8

Paragraph AusCF1 is added.

Core principle

...

AusCF1 AusCF entities are:

- (a) not-for-profit entities; and
- (b) for-profit entities that are not applying the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*).

For AusCF entities, the term ‘reporting entity’ is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. For-profit entities applying the *Conceptual Framework for Financial Reporting* are set out in paragraph Aus1.1 of the *Conceptual Framework*.

Amendments to AASB 9

Paragraph AusCF1 is added and paragraph Aus1.1 is deleted. (The application of AASB 9 to entities and financial statements is set out in AASB 1057 *Application of Australian Accounting Standards*.)

Chapter 1 Objective and application

...

AusCF1 AusCF entities are:

- (a) not-for-profit entities; and
- (b) for-profit entities that are not applying the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*).

For AusCF entities, the term ‘reporting entity’ is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. For-profit entities applying the *Conceptual Framework for Financial Reporting* are set out in paragraph Aus1.1 of the *Conceptual Framework*.

Aus1.1 ~~[Deleted by the AASB] This Standard applies to:~~

- (a) ~~each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;~~
- (b) ~~general purpose financial statements of each other reporting entity; and~~
- (c) ~~financial statements that are, or are held out to be, general purpose financial statements.~~

Amendments to AASB 10

Paragraphs AusCF1 and AusCFAus4.2 are added. Paragraph Aus4.2 is amended.

Objective

...

AusCF1 AusCF paragraphs included in this Standard apply only to:

- (a) not-for-profit entities; and
- (b) for-profit entities that are not applying the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*).

Such entities are referred to as ‘AusCF entities’. For AusCF entities, the term ‘reporting entity’ is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. For-profit entities applying the *Conceptual Framework for Financial Reporting* (as set out in paragraph Aus1.1 of the *Conceptual Framework*) shall not apply AusCF paragraphs.

...

Scope

...

Aus4.2 Notwithstanding paragraphs 4(a) and Aus4.1, the ultimate Australian parent shall present consolidated financial statements that consolidate its investments in subsidiaries in accordance with this Standard when ~~either the parent or the group is a reporting entity or both the parent and the group are reporting entities~~ the ultimate Australian parent is required by legislation to comply with Australian Accounting Standards, except if the ultimate Australian parent is required, in accordance with paragraph 31 of this Standard, to measure all of its subsidiaries at fair value through profit or loss.

AusCFAus4.2 Notwithstanding paragraphs 4(a), Aus4.1 and Aus4.2, in respect of AusCF entities, the ultimate Australian parent shall present consolidated financial statements that consolidate its investments in subsidiaries in accordance with this Standard when either the parent or the group is a reporting entity or both the parent and the group are reporting entities, except if the ultimate Australian parent is required, in accordance with paragraph 31 of this Standard, to measure all of its subsidiaries at fair value through profit or loss.

Amendments to AASB 12

Paragraph AusCF1 is added.

Objective

...

AusCF1 AusCF entities are:

- (a) not-for-profit entities; and
- (b) for-profit entities that are not applying the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*).

For AusCF entities, the term ‘reporting entity’ is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. For-profit entities applying the *Conceptual Framework for Financial Reporting* are set out in paragraph Aus1.1 of the *Conceptual Framework*.

Amendments to AASB 14

Paragraph AusCF1 is added. Paragraph Aus4.1 is deleted. (The application of AASB 14 to entities and financial statements is set out in AASB 1057 <i>Application of Australian Accounting Standards</i> .) The footnote to the first occurrence of ‘reliable’ in paragraph 13 is amended and a new footnote is also added.

Objective

...

AusCF1 AusCF paragraphs and footnotes included in this Standard apply only to:

- (a) not-for-profit entities; and

(b) ~~for-profit entities that are not applying the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*).~~

Such entities are referred to as ‘AusCF entities’. For AusCF entities, the term ‘reporting entity’ is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. For-profit entities applying the *Conceptual Framework for Financial Reporting* (as set out in paragraph Aus1.1 of the *Conceptual Framework*) shall not apply AusCF paragraphs or footnotes.

...

Application

Aus4.1 ~~[Deleted by the AASB] This Standard applies to:~~

- ~~(a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;~~
- ~~(b) general purpose financial statements of each other reporting entity; and~~
- ~~(c) financial statements that are, or are held out to be, general purpose financial statements.~~

...

13 An entity shall not change its accounting policies in order to start to recognise regulatory deferral account balances. An entity may only change its accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral account balances if the change makes the financial statements more relevant to the economic decision-making needs of users and no less reliable^{1, AusCF1}, or more reliable and no less relevant to those needs. An entity shall judge relevance and reliability using the criteria in paragraph 10 of AASB 108.

1 In December 2013, the AASB amended the *Framework for the Preparation and Presentation of Financial Statements* (as identified in AASB 1048 *Interpretation of Standards*) ~~(the Framework)~~. The term “faithful representation”, which was used in the *Framework* from 2013 and is also used in the *Conceptual Framework for Financial Reporting* issued in 2019, encompasses the main characteristics that the previous version of the *Framework* called “reliability”. The requirement in paragraph 13 of this Standard is based on the requirements of AASB 108, which retains the term “reliable”.

AusCF1 Notwithstanding footnote 1, in respect of AusCF entities, in December 2013, the AASB amended the *Framework for the Preparation and Presentation of Financial Statements* (as identified in AASB 1048 *Interpretation of Standards*). The term “faithful representation” encompasses the main characteristics that the previous version of the *Framework* called “reliability”. The requirement in paragraph 13 of this Standard is based on the requirements of AASB 108, which retains the term “reliable”.

Amendments to AASB 17

Paragraph AusCF1 is added.

Objective

...

AusCF1 AusCF entities are:

- ~~(a) not-for-profit entities; and~~
- ~~(b) for-profit entities that are not applying the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*).~~

For AusCF entities, the term ‘reporting entity’ is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. For-profit entities applying the *Conceptual Framework for Financial Reporting* are set out in paragraph Aus1.1 of the *Conceptual Framework*.

Amendments to AASB 101

Paragraphs 15, 19–20, 23–24, 28, 89, Aus7.2 in Appendix A and RDR15.1 in Appendix B are amended. Paragraphs Aus136.1 and Aus136.2 are deleted. Paragraphs AusCF1, AusCF15, AusCF19–AusCF20, AusCF23–AusCF24, AusCF28, AusCF89, AusCFAus136.1, AusCFAus136.2 and 139S and paragraph AusCFRDR15.1 in Appendix B are added. Three footnotes are deleted – the footnote to the second sentence in paragraph 15, to paragraph 28 and to ‘*Framework*’s’ in paragraph 89.

Objective

...

AusCF1 AusCF paragraphs and footnotes included in this Standard apply only to:

- (a) not-for-profit entities; and
- (b) for-profit entities that are not applying the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*).

Such entities are referred to as ‘AusCF entities’. For AusCF entities, the term ‘reporting entity’ is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. For-profit entities applying the *Conceptual Framework for Financial Reporting* (as set out in paragraph Aus1.1 of the *Conceptual Framework*) shall not apply AusCF paragraphs or footnotes.

...

Fair presentation and compliance with Standards

- 15 **Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the ~~Framework~~ *Conceptual Framework for Financial Reporting (Conceptual Framework)*.³ The application of Australian Accounting Standards, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.**

³ ~~Paragraphs 15–24 contain references to the objective of financial statements set out in the *Framework for the Preparation and Presentation of Financial Statements* (as identified in AASB 1048). In December 2013 the AASB amended the *Framework*, and thereby replaced the objective of financial statements with the objective of general purpose financial reporting: see Chapter 1 of the *Framework*.~~

AusCF15 **Notwithstanding paragraph 15, in respect of AusCF entities, financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework.**^{AusCF3} **The application of Australian Accounting Standards, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.**

AusCF3 Paragraphs AusCF15–AusCF24 contain references to the objective of financial statements set out in the *Framework for the Preparation and Presentation of Financial Statements* (as identified in AASB 1048). In December 2013 the AASB amended the *Framework*, and thereby replaced the objective of financial statements with the objective of general purpose financial reporting: see Chapter 1 of the *Framework*.

...

- 19 **In the extremely rare circumstances in which management concludes that compliance with a requirement in an Australian Accounting Standard would be so misleading that it would conflict with the objective of financial statements set out in the ~~Framework~~ *Conceptual Framework*, the entity shall depart from that requirement in the manner set out in paragraph 20 if the relevant regulatory framework requires, or otherwise does not prohibit, such a departure.**

AusCF19 **Notwithstanding paragraph 19, in respect of AusCF entities, in the extremely rare circumstances in which management concludes that compliance with a requirement in an Australian Accounting Standard would be so misleading that it would conflict with the objective of financial statements set out in the *Framework*, the entity shall depart from that requirement in the manner set out in paragraph AusCF20 if the relevant regulatory framework requires, or otherwise does not prohibit, such a departure.**

- 20 When an entity departs from a requirement of an Australian Accounting Standard in accordance with paragraph 19, it shall disclose:
- (a) that management has concluded that the financial statements present fairly the entity's financial position, financial performance and cash flows;
 - (b) that it has complied with applicable Australian Accounting Standards, except that it has departed from a particular requirement to achieve a fair presentation;
 - (c) the title of the Australian Accounting Standard from which the entity has departed, the nature of the departure, including the treatment that the Australian Accounting Standard would require, the reason why that treatment would be so misleading in the circumstances that it would conflict with the objective of financial statements set out in the ~~Framework~~ *Conceptual Framework*, and the treatment adopted; and
 - (d) for each period presented, the financial effect of the departure on each item in the financial statements that would have been reported in complying with the requirement.

AusCF20 Notwithstanding paragraph 20, in respect of AusCF entities, when an entity departs from a requirement of an Australian Accounting Standard in accordance with paragraph AusCF19, it shall disclose:

- (a) that management has concluded that the financial statements present fairly the entity's financial position, financial performance and cash flows;
- (b) that it has complied with applicable Australian Accounting Standards, except that it has departed from a particular requirement to achieve a fair presentation;
- (c) the title of the Australian Accounting Standard from which the entity has departed, the nature of the departure, including the treatment that the Australian Accounting Standard would require, the reason why that treatment would be so misleading in the circumstances that it would conflict with the objective of financial statements set out in the *Framework*, and the treatment adopted; and
- (d) for each period presented, the financial effect of the departure on each item in the financial statements that would have been reported in complying with the requirement.

...

- 23 In the extremely rare circumstances in which management concludes that compliance with a requirement in an Australian Accounting Standard would be so misleading that it would conflict with the objective of financial statements set out in the ~~Framework~~ *Conceptual Framework*, but the relevant regulatory framework prohibits departure from the requirement, the entity shall, to the maximum extent possible, reduce the perceived misleading aspects of compliance by disclosing:
- (a) the title of the Australian Accounting Standard in question, the nature of the requirement, and the reason why management has concluded that complying with that requirement is so misleading in the circumstances that it conflicts with the objective of financial statements set out in the ~~Framework~~ *Conceptual Framework*; and
 - (b) for each period presented, the adjustments to each item in the financial statements that management has concluded would be necessary to achieve a fair presentation.

AusCF23 Notwithstanding paragraph 23, in respect of AusCF entities, in the extremely rare circumstances in which management concludes that compliance with a requirement in an Australian Accounting Standard would be so misleading that it would conflict with the objective of financial statements set out in the *Framework*, but the relevant regulatory framework prohibits departure from the requirement, the entity shall, to the maximum extent possible, reduce the perceived misleading aspects of compliance by disclosing:

- (a) the title of the Australian Accounting Standard in question, the nature of the requirement, and the reason why management has concluded that complying with that requirement is so misleading in the circumstances that it conflicts with the objective of financial statements set out in the *Framework*; and
- (b) for each period presented, the adjustments to each item in the financial statements that management has concluded would be necessary to achieve a fair presentation.

- 24 For the purpose of paragraphs 19–23, an item of information would conflict with the objective of financial statements when it does not represent faithfully the transactions, other events and conditions that it either purports to represent or could reasonably be expected to represent and, consequently, it would be likely to influence economic decisions made by users of financial statements. When assessing whether complying with a specific requirement in an Australian Accounting Standard would be so misleading that it would

conflict with the objective of financial statements set out in the ~~Framework~~ Conceptual Framework, management considers:

- (a) why the objective of financial statements is not achieved in the particular circumstances; and
- (b) how the entity's circumstances differ from those of other entities that comply with the requirement. If other entities in similar circumstances comply with the requirement, there is a rebuttable presumption that the entity's compliance with the requirement would not be so misleading that it would conflict with the objective of financial statements set out in the ~~Framework~~ Conceptual Framework.

AusCF24 Notwithstanding paragraph 24, in respect of AusCF entities, for the purpose of paragraphs AusCF19–AusCF23, an item of information would conflict with the objective of financial statements when it does not represent faithfully the transactions, other events and conditions that it either purports to represent or could reasonably be expected to represent and, consequently, it would be likely to influence economic decisions made by users of financial statements. When assessing whether complying with a specific requirement in an Australian Accounting Standard would be so misleading that it would conflict with the objective of financial statements set out in the Framework, management considers:

- (a) why the objective of financial statements is not achieved in the particular circumstances; and
- (b) how the entity's circumstances differ from those of other entities that comply with the requirement. If other entities in similar circumstances comply with the requirement, there is a rebuttable presumption that the entity's compliance with the requirement would not be so misleading that it would conflict with the objective of financial statements set out in the Framework.

...

Accrual basis of accounting

...

28 When the accrual basis of accounting is used, an entity recognises items as assets, liabilities, equity, income and expenses (the elements of financial statements) when they satisfy the definitions and recognition criteria for those elements in the ~~Framework~~ Conceptual Framework.⁴

4 ~~The Framework for the Preparation and Presentation of Financial Statements was amended by the AASB in December 2013.~~

AusCF28 Notwithstanding paragraph 28, in respect of AusCF entities, when the accrual basis of accounting is used, an entity recognises items as assets, liabilities, equity, income and expenses (the elements of financial statements) when they satisfy the definitions and recognition criteria for those elements in the ~~Framework~~.^{AusCF4}

AusCF4 ~~The Framework for the Preparation and Presentation of Financial Statements was amended by the AASB in December 2013.~~

...

Profit or loss for the period

...

89 Some Australian Accounting Standards specify circumstances when an entity recognises particular items outside profit or loss in the current period. AASB 108 specifies two such circumstances: the correction of errors and the effect of changes in accounting policies. Other Australian Accounting Standards require or permit components of other comprehensive income that meet the ~~Framework's~~⁵ Conceptual Framework's definition of income or expense to be excluded from profit or loss (see paragraph 7).

5 ~~The Framework for the Preparation and Presentation of Financial Statements was amended by the AASB in December 2013.~~

AusCF89 Notwithstanding paragraph 89, in respect of AusCF entities, some Australian Accounting Standards specify circumstances when an entity recognises particular items outside profit or loss in the current period. AASB 108 specifies two such circumstances: the correction of errors and the effect of changes in accounting policies. Other Australian Accounting Standards require or permit components of other comprehensive income that meet the Framework's^{AusCF5} definition of income or expense to be excluded from profit or loss (see paragraph 7).

AusCF5 ~~The Framework for the Preparation and Presentation of Financial Statements was amended by the AASB in December 2013.~~

...

Capital

...

Aus136.1 ~~[Deleted by the AASB] An entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is not a reporting entity need not present the disclosures required by paragraphs 134–136.~~

AusCFAus136.1 In respect of AusCF entities, an entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is not a reporting entity need not present the disclosures required by paragraphs 134–136.

Aus136.2 ~~[Deleted by the AASB] Notwithstanding paragraph Aus136.1, a not-for-profit entity need not present the disclosures required by paragraphs 134–136.~~

AusCFAus136.2 Notwithstanding paragraph AusCFAus136.1, in respect of AusCF entities, a not-for-profit entity need not present the disclosures required by paragraphs 134–136.

...

Transition and effective date

...

139S AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*, issued in 2019, added AusCF paragraphs, amended paragraphs 15, 19–20, 23–24, 28, 89, Aus7.2 and RDR15.1, and deleted paragraphs Aus136.1 and Aus136.2. An entity shall apply those amendments for annual periods beginning on or after 1 January 2020. Earlier application is permitted if at the same time an entity also applies all other amendments made by AASB 2019-1. An entity shall apply the amendments to AASB 101 retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. However, if an entity determines that retrospective application would be impracticable or would involve undue cost or effort, it shall apply the amendments to AASB 101 by reference to paragraphs 23–28, 50–53 and 54F of AASB 108.

...

Appendix A Australian defined terms

...

Aus7.2 In respect of public sector entities, *local governments, governments* and most, if not all, *government departments* are reporting entities:

~~*reporting entity* means an entity in respect of which it is reasonable to expect the existence of users who rely on the entity's general purpose financial statement for information that will be useful to them for making and evaluating decisions about the allocation of resources. A reporting entity can be a single entity or a group comprising a parent and all of its subsidiaries.~~

government means ...

Appendix B Australian reduced disclosure requirements

...

RDR15.1 Financial statements shall present fairly the financial position, financial performance and cash flows of an entity applying Australian Accounting Standards – Reduced Disclosure Requirements. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the *Conceptual Framework*. The application of Australian Accounting Standards – Reduced Disclosure Requirements, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.

AusCFRDR15.1 Notwithstanding paragraph RDR15.1, in respect of AusCF entities, financial statements shall present fairly the financial position, financial performance and cash flows of an entity applying Australian Accounting Standards – Reduced Disclosure Requirements. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the

Framework. The application of Australian Accounting Standards – Reduced Disclosure Requirements, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.

Amendments to AASB 108

Paragraphs AusCF1, AusCF11 and 54F–54G are added. Paragraph 11(b) is amended. The footnote to paragraph 11(b) is amended. The heading immediately before paragraph 54 is amended.

Objective

...

AusCF1 AusCF paragraphs and footnotes included in this Standard apply only to:

- (a) not-for-profit entities; and
- (b) for-profit entities that are not applying the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*).

Such entities are referred to as ‘AusCF entities’. For AusCF entities, the term ‘reporting entity’ is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. For-profit entities applying the *Conceptual Framework for Financial Reporting* (as set out in paragraph Aus1.1 of the *Conceptual Framework*) shall not apply AusCF paragraphs or footnotes.

...

Selection and application of accounting policies

...

11 In making the judgement described in paragraph 10, management shall refer to, and consider the applicability of, the following sources in descending order:

- (a) the requirements in Australian Accounting Standards dealing with similar and related issues; and
- (b) the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the ~~Framework~~ *Conceptual Framework for Financial Reporting (Conceptual Framework)* (as identified in AASB 1048 *Interpretation of Standards*).³

3 In December 2013 the AASB amended the *Framework for the Preparation and Presentation of Financial Statements* Paragraph 54G explains how this requirement is amended for regulatory account balances.

AusCF11 Notwithstanding paragraph 11, in respect of AusCF entities, in making the judgement described in paragraph 10, management shall refer to, and consider the applicability of, the following sources in descending order:

- (a) the requirements in Australian Accounting Standards dealing with similar and related issues; and
- (b) the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the *Framework*^{AusCF3}.

AusCF3 In December 2013 the AASB amended the *Framework for the Preparation and Presentation of Financial Statements* (as identified in AASB 1048 *Interpretation of Standards*).

Effective date and transition

...

54F AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*, issued in 2019, added AusCF paragraphs and amended paragraph 11(b). An entity shall apply those amendments for annual periods beginning on or after 1 January 2020. Earlier application is permitted if at the same time an entity also applies all other amendments made by AASB 2019-1. An entity shall apply paragraph 11 retrospectively in accordance with this Standard. However, if an entity determines that retrospective application would be impracticable or would involve undue cost or effort, it shall apply paragraph 11 by reference to paragraphs 23–28 of this Standard. If retrospective application of any amendment in AASB 2019-1 would involve undue cost or effort, an entity shall, in applying paragraphs 23–28 of this Standard, read any reference except in the last sentence of paragraph 27 to ‘is impracticable’ as ‘involves undue cost or effort’ and any reference to ‘practicable’ as ‘possible without undue cost or effort’.

54G If an entity does not apply AASB 14 *Regulatory Deferral Accounts*, the entity shall, in applying paragraph 11(b) to regulatory account balances, continue to refer to, and consider the applicability of, the definitions, recognition criteria, and measurement concepts in the *Framework for the Preparation and Presentation of Financial Statements*⁴ instead of those in the *Conceptual Framework*. A regulatory account balance is the balance of any expense (or income) account that is not recognised as an asset or a liability in accordance with other applicable Australian Accounting Standards but is included, or is expected to be included, by the rate regulator in establishing the rate(s) that can be charged to customers. A rate regulator is an authorised body that is empowered by statute or regulation to establish the rate or a range of rates that bind an entity. The rate regulator may be a third-party body or a related party of the entity, including the entity's own governing board, if that body is required by statute or regulation to set rates both in the interest of the customers and to ensure the overall financial viability of the entity.

⁴ The reference is to the *Framework for the Preparation and Presentation of Financial Statements* adopted by the AASB in 2004.

Amendments to AASB 110

Paragraph AusCF1 is added.

Objective

...

AusCF1 AusCF entities are:

- (a) not-for-profit entities; and
- (b) for-profit entities that are not applying the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*).

For AusCF entities, the term 'reporting entity' is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. For-profit entities applying the *Conceptual Framework for Financial Reporting* are set out in paragraph Aus1.1 of the *Conceptual Framework*.

Amendments to AASB 112

Paragraph AusCF1 is added.

Scope

...

AusCF1 AusCF entities are:

- (a) not-for-profit entities; and
- (b) for-profit entities that are not applying the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*).

For AusCF entities, the term 'reporting entity' is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. For-profit entities applying the *Conceptual Framework for Financial Reporting* are set out in paragraph Aus1.1 of the *Conceptual Framework*.

Amendments to AASB 116

Paragraph AusCF1 is added.

Objective

...

AusCF1 AusCF entities are:

- (a) not-for-profit entities; and
- (b) for-profit entities that are not applying the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*).

For AusCF entities, the term ‘reporting entity’ is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. For-profit entities applying the *Conceptual Framework for Financial Reporting* are set out in paragraph Aus1.1 of the *Conceptual Framework*.

Amendments to AASB 119

Paragraph AusCF1 is added.

Objective

...

AusCF1 AusCF entities are:

- (a) not-for-profit entities; and
- (b) for-profit entities that are not applying the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*).

For AusCF entities, the term ‘reporting entity’ is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. For-profit entities applying the *Conceptual Framework for Financial Reporting* are set out in paragraph Aus1.1 of the *Conceptual Framework*.

Amendments to AASB 121

Paragraph AusCF1 is added.

Objective

...

AusCF1 AusCF entities are:

- (a) not-for-profit entities; and
- (b) for-profit entities that are not applying the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*).

For AusCF entities, the term ‘reporting entity’ is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. For-profit entities applying the *Conceptual Framework for Financial Reporting* are set out in paragraph Aus1.1 of the *Conceptual Framework*.

Amendments to AASB 124

Paragraph AusCF1 is added.

Objective

...

AusCF1 AusCF entities are:

- (a) not-for-profit entities; and

- (b) for-profit entities that are not applying the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*).

For AusCF entities, the term ‘reporting entity’ is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. For-profit entities applying the *Conceptual Framework for Financial Reporting* are set out in paragraph Aus1.1 of the *Conceptual Framework*.

Amendments to AASB 128

Paragraph AusCF1 is added.

Objective

...

AusCF1 AusCF entities are:

- (a) not-for-profit entities; and
- (b) for-profit entities that are not applying the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*).

For AusCF entities, the term ‘reporting entity’ is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. For-profit entities applying the *Conceptual Framework for Financial Reporting* are set out in paragraph Aus1.1 of the *Conceptual Framework*.

Amendments to AASB 132

Paragraph AusCF1 is added.

Objective

...

AusCF1 AusCF entities are:

- (a) not-for-profit entities; and
- (b) for-profit entities that are not applying the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*).

For AusCF entities, the term ‘reporting entity’ is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. For-profit entities applying the *Conceptual Framework for Financial Reporting* are set out in paragraph Aus1.1 of the *Conceptual Framework*.

Amendments to AASB 133

Paragraph AusCF1 is added.

Objective

...

AusCF1 AusCF entities are:

- (a) not-for-profit entities; and
- (b) for-profit entities that are not applying the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*).

For AusCF entities, the term ‘reporting entity’ is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also

applies. For-profit entities applying the *Conceptual Framework for Financial Reporting* are set out in paragraph Aus1.1 of the *Conceptual Framework*.

Amendments to AASB 134

Paragraphs AusCF1, AusCF31, AusCF33 and 58 are added. Paragraphs 31 and 33 are amended. A footnote is added to paragraph B23 in the illustrative examples accompanying AASB 134.

Scope

...
AusCF1 AusCF paragraphs and footnotes included in this Standard apply only to:

- (a) not-for-profit entities; and
- (b) for-profit entities that are not applying the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*).

Such entities are referred to as ‘AusCF entities’. For AusCF entities, the term ‘reporting entity’ is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. For-profit entities applying the *Conceptual Framework for Financial Reporting* (as set out in paragraph Aus1.1 of the *Conceptual Framework*) shall not apply AusCF paragraphs or footnotes.

Same accounting policies as annual

...
31 Under the ~~*Framework for the Preparation and Presentation of Financial Statements*~~ (the ~~*Framework*~~) *Conceptual Framework for Financial Reporting* (*Conceptual Framework*) (as identified in AASB 1048 *Interpretation of Standards*),³ recognition is the ‘process of incorporating in the balance sheet or income statement capturing, for inclusion in the statement of financial position or the statement(s) of financial performance, an item that meets the definition of an element one of the elements of the financial statements and satisfies the criteria for recognition’. The definitions of assets, liabilities, income, and expenses are fundamental to recognition, at the end of both annual and interim financial reporting periods.

³ In December 2013 the AASB amended the *Framework for the Preparation and Presentation of Financial Statements*.

AusCF31 Notwithstanding paragraph 31, in respect of AusCF entities, under the *Framework for the Preparation and Presentation of Financial Statements* (the *Framework*) (as identified in AASB 1048 *Interpretation of Standards*)^{AusCF3}, recognition is the ‘process of incorporating in the balance sheet or income statement an item that meets the definition of an element and satisfies the criteria for recognition’. The definitions of assets, liabilities, income, and expenses are fundamental to recognition, at the end of both annual and interim financial reporting periods.

AusCF3 In December 2013 the AASB amended the *Framework for the Preparation and Presentation of Financial Statements*.

...
33 An essential characteristic of income (revenue) and expenses is that the related inflows and outflows of assets and liabilities have already taken place. If those inflows or outflows have taken place, the related revenue and expense are recognised; otherwise they are not recognised. ~~The *Framework* says that ‘expenses are recognised in the income statement when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably... [The] *Framework* *Conceptual Framework* does not allow the recognition of items in the balance sheet statement of financial position which do not meet the definition of assets or liabilities.’~~²

AusCF33 Notwithstanding paragraph 33, in respect of AusCF entities, an essential characteristic of income (revenue) and expenses is that the related inflows and outflows of assets and liabilities have already taken place. If those inflows or outflows have taken place, the related revenue and expense are recognised; otherwise they are not recognised. The *Framework* says that ‘expenses are recognised in the income statement when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably... [The] *Framework* does not allow the recognition of items in the balance sheet which do not meet the definition of assets or liabilities.’

Effective date

...

58 AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework, issued in 2019, added AusCF paragraphs and amended paragraphs 31, 33 and B23. An entity shall apply those amendments for annual periods beginning on or after 1 January 2020. Earlier application is permitted if at the same time an entity also applies all other amendments made by AASB 2019-1. An entity shall apply the amendments to AASB 134 retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. However, if an entity determines that retrospective application would be impracticable or would involve undue cost or effort, it shall apply the amendments to AASB 134 by reference to paragraphs 43–45 of this Standard and paragraphs 23–28, 50–53 and 54F of AASB 108.

...

Contractual or anticipated purchase price changes

B23 Volume rebates or discounts and other contractual changes in the prices of raw materials, labour, or other purchased goods and services are anticipated in interim periods, by both the payer and the recipient, if it is probable that they have been earned or will take effect. Thus, contractual rebates and discounts are anticipated but discretionary rebates and discounts are not anticipated because the resulting asset or liability would not satisfy the conditions in the *Framework*⁴ that an asset must be a resource controlled by the entity as a result of a past event and that a liability must be a present obligation whose settlement is expected to result in an outflow of resources.

4 The reference to the *Framework* is to the *Framework for the Preparation and Presentation of Financial Statements* adopted by the AASB in 2004.

Amendments to AASB 137

Paragraph AusCF1 is added and a footnote is added to the definition of a liability in paragraph 10.

Scope

AusCF1 AusCF entities are:

- (a) not-for-profit entities; and
- (b) for-profit entities that are not applying the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*).

For AusCF entities, the term ‘reporting entity’ is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. For-profit entities applying the *Conceptual Framework for Financial Reporting* are set out in paragraph Aus1.1 of the *Conceptual Framework*.

...

Definitions

...

A *liability* is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.*

* The definition of a liability in this Standard was not revised following the revision of the definition of a liability in the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*) issued in 2019.

Amendments to AASB 138

A footnote is added to the definition of an asset in paragraph 8.

Definitions

...

An *asset* is a resource:

- (a) controlled by an entity as a result of past events; and
- (b) from which future economic benefits are expected to flow to the entity.*

*
— The definition of an asset in this Standard was not revised following the revision of the definition of an asset in the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*) issued in 2019.

Amendments to AASB 139

Paragraph AusCF1 is added.

AusCF1 AusCF entities are:

- (a) not-for-profit entities; and
- (b) for-profit entities that are not applying the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*).

For AusCF entities, the term ‘reporting entity’ is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. For-profit entities applying the *Conceptual Framework for Financial Reporting* are set out in paragraph Aus1.1 of the *Conceptual Framework*.

Amendments to AASB 140

Paragraph AusCF1 is added.

Objective

...

AusCF1 AusCF entities are:

- (a) not-for-profit entities; and
- (b) for-profit entities that are not applying the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*).

For AusCF entities, the term ‘reporting entity’ is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. For-profit entities applying the *Conceptual Framework for Financial Reporting* are set out in paragraph Aus1.1 of the *Conceptual Framework*.

Amendments to AASB 1023

Paragraphs AusCF1 and AusCF17.6.4 are added. Paragraph 17.6.4 is amended.

1 Application

...

AusCF1 AusCF paragraphs included in this Standard apply only to:

- (a) not-for-profit entities; and
- (b) for-profit entities that are not applying the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*).

Such entities are referred to as ‘AusCF entities’. For AusCF entities, the term ‘reporting entity’ is defined in AASB 1057 Application of Australian Accounting Standards and Statement of Accounting Concepts SAC 1 Definition of the Reporting Entity also applies. For-profit entities applying the Conceptual Framework for Financial Reporting (as set out in paragraph Aus1.1 of the Conceptual Framework) shall not apply AusCF paragraphs.

Insurance Contracts – Explanation of Recognised Amounts

17.6.4 When an insurer is presenting the disclosures required by paragraphs 17.6.1(c) and 17.6.1(d) the insurer determines the level and extent of disclosure that is appropriate having regard to its circumstances and the qualitative characteristics of financial statements under the Conceptual Framework for Financial Reporting Framework for the Preparation and Presentation of Financial Statements (as identified in AASB 1048 Interpretation of Standards).

AusCF17.6.4 Notwithstanding paragraph 17.6.4, in respect of AusCF entities, when an insurer is presenting the disclosures required by paragraphs 17.6.1(c) and 17.6.1(d) the insurer determines the level and extent of disclosure that is appropriate having regard to its circumstances and the qualitative characteristics of financial statements under the Framework for the Preparation and Presentation of Financial Statements (as identified in AASB 1048 Interpretation of Standards).

Amendments to AASB 1038

Paragraphs AusCF1 and AusCF14.1.7 are added. Paragraph 14.1.7 is amended.

1 Application

AusCF1 AusCF paragraphs included in this Standard apply only to:

(a) not-for-profit entities; and

(b) for-profit entities that are not applying the Conceptual Framework for Financial Reporting (as identified in AASB 1048 Interpretation of Standards).

Such entities are referred to as ‘AusCF entities’. For AusCF entities, the term ‘reporting entity’ is defined in AASB 1057 Application of Australian Accounting Standards and Statement of Accounting Concepts SAC 1 Definition of the Reporting Entity also applies. For-profit entities applying the Conceptual Framework for Financial Reporting (as set out in paragraph Aus1.1 of the Conceptual Framework) shall not apply AusCF paragraphs.

14 Life Insurance Contracts Disclosure – Explanation of Recognised Amounts

14.1.7 When a life insurer is presenting the disclosures required by paragraphs 14.1.1(c) and 14.1.1(d) the insurer determines the level and extent of disclosure that is appropriate having regard to its circumstances and the qualitative characteristics of financial statements under the Conceptual Framework for Financial Reporting Framework for the Preparation and Presentation of Financial Statements (as identified in AASB 1048 Interpretation of Standards).

AusCF14.1.7 Notwithstanding paragraph 14.1.7, in respect of AusCF entities, when a life insurer is presenting the disclosures required by paragraphs 14.1.1(c) and 14.1.1(d) the insurer determines the level and extent of disclosure that is appropriate having regard to its circumstances and the qualitative characteristics of financial statements under the Framework for the Preparation and Presentation of Financial Statements (as identified in AASB 1048 Interpretation of Standards).

Amendments to AASB 1048

Paragraphs AusCF1, AusCF10 and AusCF11 are added. Paragraphs 1, 10 and 11 are amended.

Objective

1 The objective of this Standard is to provide an up-to-date listing of Australian Interpretations and to ensure the effectiveness of references in Australian Accounting Standards to Australian Interpretations and to the *Framework for the Preparation and Presentation of Financial Statements (Framework)* and the *Conceptual Framework for Financial Reporting (Conceptual Framework)*. AASB and UIG Interpretations are referred to collectively in this Standard as Australian Interpretations.

AusCF1 AusCF paragraphs included in this Standard apply only to:

- (a) not-for-profit entities; and
- (b) for-profit entities that are not applying the *Conceptual Framework for Financial Reporting* (as identified in this Standard).

Such entities are referred to as ‘AusCF entities’. For AusCF entities, the term ‘reporting entity’ is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. For-profit entities applying the *Conceptual Framework for Financial Reporting* (as set out in paragraph Aus1.1 of the *Conceptual Framework*) shall not apply AusCF paragraphs.

...

Conceptual framework

10 Each reference to the ~~*Framework for the Preparation and Presentation of Financial Statements Conceptual Framework for Financial Reporting*~~ (or *Conceptual Framework*) in other Australian Accounting Standards (including Interpretations) is taken to be a reference to the relevant pronouncement listed in Table 3 below. Each row in Table 3 is to be treated as a separate provision of this Standard.

Table 3: Australian conceptual framework pronouncements

Issue Date	Title	Application Date (annual reporting periods)
[Month 2019]	<u>Conceptual Framework for Financial Reporting (or Conceptual Framework)</u> <u>Note – this pronouncement is applicable only to for-profit private sector entities that have public accountability and are required by legislation to comply with Australian Accounting Standards and other for-profit entities that elect to apply this Framework</u>	(beginning) <u>1 January 2020</u>
<u>June 2014</u> <u>[as amended to]</u>	<u>Framework for the Preparation and Presentation of Financial Statements (or Framework)</u>	(beginning) <u>1 July 2014</u>

AusCF10 **Notwithstanding paragraph 10, in respect of AusCF entities, each reference to the *Framework for the Preparation and Presentation of Financial Statements (or Framework)* in other Australian Accounting Standards (including Interpretations) is taken to be a reference to the relevant pronouncement listed in Table 3 below. Each row in Table 3 is to be treated as a separate provision of this Standard.**

Table 3: Australian conceptual framework pronouncements

Issue Date	Title	Application Date (annual reporting periods)
<u>June 2014</u> <u>[as amended to]</u>	<u>Framework for the Preparation and Presentation of Financial Statements (or Framework)</u>	(beginning) <u>1 July 2014</u>

11 This Standard updates references to the *Conceptual Framework* in Australian Accounting Standards (including Interpretations) to the relevant amended version of the *Conceptual Framework*. The principal application date listed in each row of Table 3 is a reference to annual reporting periods

beginning or ending (as indicated) on or after the date specified. An entity may elect to apply an amended version of the pronouncement to annual reporting periods in advance of that stated in Table 3, subject to any early application paragraphs.

AusCF11 Notwithstanding paragraph 11, in respect of AusCF entities, this Standard updates references to the Framework in Australian Accounting Standards (including Interpretations) to the relevant amended version of the Framework. The principal application date listed in each row of Table 3 is a reference to annual reporting periods beginning or ending (as indicated) on or after the date specified. An entity may elect to apply an amended version of the pronouncement to annual reporting periods in advance of that stated in Table 3, subject to any early application paragraphs.

Amendments to AASB 1053

Paragraph AusCF1 is added. Paragraphs 2, 9 and 11 and Appendix A are amended. Paragraphs B3 and B4 are added in Appendix B.

Objective

...

AusCF1 AusCF entities are:

- (a) not-for-profit entities; and
- (b) for-profit entities that are not applying the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*).

For AusCF entities, the term 'reporting entity' is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. For-profit entities applying the *Conceptual Framework for Financial Reporting* are set out in paragraph Aus1.1 of the *Conceptual Framework*.

Application

2 This Standard applies to¹:

- (a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act;
- (b) *general purpose financial statements of each reporting entity*;
- (c) financial statements that are, or are held out to be, general purpose financial statements; ~~and~~
- (d) financial statements of General Government Sectors (GGSs) prepared in accordance with AASB 1049 *Whole of Government and General Government Sector Financial Reporting*; ~~and~~
- (e) for-profit private sector entities that have public accountability and are required by legislation to comply with Australian Accounting Standards.

...

Tiers of Reporting Requirements

...

9 Tier 2 comprises the recognition and measurement requirements of Tier 1 (including consolidation and the equity method of accounting) but substantially reduced disclosure requirements. Except for the presentation of a third statement of financial position under Tier 1², the presentation requirements under Tier 1 and Tier 2 are the same.

...

11 ~~Tier 1 reporting requirements shall apply to the general purpose financial statements of the following types of entities. The following types of entities shall prepare general purpose financial statements that comply with Tier 1 reporting requirements:~~

- (a) for-profit private sector entities that have public accountability and are required by legislation to comply with Australian Accounting Standards; and

- (b) the Australian Government and State, Territory and Local Governments.

...

APPENDIX A DEFINED TERMS

...

~~**Public accountability** means accountability to those existing and potential resource providers and others external to the entity who make economic decisions but are not in a position to demand reports tailored to meet their particular information needs.~~

~~A for-profit private sector – an entity has public accountability if:~~

- (a) its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); or
- (b) it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. ~~This is typically the case for banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks.~~

~~**Reporting entity** means an entity in respect of which it is reasonable to expect the existence of users who rely on the entity's general purpose financial statements for information that will be useful to them for making and evaluating decisions about the allocation of resources. A reporting entity can be a single entity or a group comprising a parent and all of its subsidiaries.~~

APPENDIX B PUBLIC ACCOUNTABILITY

...

B3 Some entities may also hold assets in a fiduciary capacity for a broad group of outsiders because they hold and manage financial resources entrusted to them by clients, customers or members not involved in the management of the entity. However, if they do so for reasons incidental to a primary business (as, for example, may be the case for travel or real estate agents, schools, charitable organisations, co-operative enterprises requiring a nominal membership deposit and sellers that receive payment in advance of delivery of the goods or services such as utility companies), that does not make them publicly accountable.

B4 Examples of entities that hold assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses are most likely to include banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks.

Amendments to AASB 1054

Paragraph 2 is deleted. (The application of AASB 1054 to entities and financial statements is set out in AASB 1057 <i>Application of Australian Accounting Standards</i> .)

Application

- 2 ~~[Deleted by the AASB] This Standard applies to:~~
- (a) ~~each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act;~~
 - (b) ~~general purpose financial statements of each reporting entity; and~~
 - (c) ~~financial statements that are, or are held out to be, general purpose financial statements.~~

Amendments to AASB 1055

Paragraph 2 is deleted. (The application of AASB 1055 to entities and financial statements is set out in AASB 1057 <i>Application of Australian Accounting Standards</i> .)

Application and Scope

- 2 ~~[Deleted by the AASB] This Standard applies to:~~
- ~~(a) whole of government general purpose financial statements of each government;~~
 - ~~(b) financial statements of each government's GGS;~~
 - ~~(c) general purpose financial statements of each not for profit reporting entity within the GGS; and~~
 - ~~(d) financial statements of each not for profit entity within the GGS that are, or are held out to be, general purpose financial statements.~~

Amendments to AASB 1056

Paragraphs AusCF1, AusCF18 and AusCFAG28 are added. Paragraphs 18 and AG28 are amended.

Objective

...

AusCF1 AusCF paragraphs included in this Standard apply only to:

- (a) not-for-profit entities; and
- (b) for-profit entities that are not applying the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*).

Such entities are referred to as 'AusCF entities'. For AusCF entities, the term 'reporting entity' is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. For-profit entities applying the *Conceptual Framework for Financial Reporting* (as set out in paragraph Aus1.1 of the *Conceptual Framework*) shall not apply AusCF paragraphs.

...

Employer-sponsor receivables

Recognition

- 18 An asset relating to an employer-sponsor receivable shall be recognised to the extent there is a difference between a defined benefit member liability and the fair value of assets available to meet that liability that meets the definition and recognition criteria for an asset in the *Framework for the Preparation and Presentation of Financial Statements—Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*).

AusCF18 Notwithstanding paragraph 18, in respect of AusCF entities, an asset relating to an employer-sponsor receivable shall be recognised to the extent there is a difference between a defined benefit member liability and the fair value of assets available to meet that liability that meets the definition and recognition criteria for an asset in the *Framework for the Preparation and Presentation of Financial Statements* (as identified in AASB 1048 *Interpretation of Standards*).

...

Employer-sponsor Receivables (Paragraphs 18 and 19)

...

- AG28 A receivable meeting the definition and recognition criteria for an asset in the *Framework for the Preparation and Presentation of Financial Statements—Conceptual Framework for Financial Reporting* would be measured at its intrinsic value. That is, the difference between the defined benefit member liabilities and the amount of the other recognised assets held to meet those liabilities, unless the amount of the receivable is capped in some manner.

AusCFAG28 Notwithstanding paragraph AG28, in respect of AusCF entities, a receivable meeting the definition and recognition criteria for an asset in the *Framework for the Preparation and Presentation of Financial Statements* would be measured at its intrinsic value. That is, the difference between the defined benefit

member liabilities and the amount of the other recognised assets held to meet those liabilities, unless the amount of the receivable is capped in some manner.

Amendments to AASB 1057

Paragraph AusCF1 is added. Paragraphs 1, 2, 5–9, 12, 18, 20, 22–24 and 26 and the Appendix are amended.

Objective

1 The objective of this Standard is to specify the types of entities and financial statements to which Australian Accounting Standards (including Interpretations) apply. The term ‘Australian Accounting Standards’ refers to accounting standards (including Interpretations) made by the AASB. Each reference to an Interpretation refers to that Interpretation as identified in AASB 1048 *Interpretation of Standards*.

AusCF1 AusCF entities are:

- (a) not-for-profit entities; and
- (b) for-profit entities that are not applying the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*).

For AusCF entities, the term ‘reporting entity’ is defined in this Standard and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. For-profit entities applying the *Conceptual Framework for Financial Reporting* are set out in paragraph Aus1.1 of the *Conceptual Framework*.

Application of this Standard

2 This Standard applies to:

- (a) **each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act;**
- (b) *general purpose financial statements of each reporting entity;*
- (c) **financial statements that are, or are held out to be, general purpose financial statements; ~~and~~**
- (d) **financial statements of General Government Sectors (GGSs) prepared in accordance with AASB 1049 *Whole of Government and General Government Sector Financial Reporting*; and**
- (e) **for-profit private sector entities that have public accountability and are required by legislation to comply with Australian Accounting Standards.**

...

Application of Australian Accounting Standards

5 Unless specified otherwise in paragraphs 6-21, Australian Accounting Standards apply to:

- (a) **each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;**
- (b) **general purpose financial statements of each other reporting entity; ~~and~~**
- (c) **financial statements that are, or are held out to be, general purpose financial statements; and**
- (d) **for-profit private sector entities that have public accountability and are required by legislation to comply with Australian Accounting Standards.**

6 AASB 8 *Operating Segments* applies to:

- (a) **each for-profit entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;**
- (b) **general purpose financial statements of each other for-profit reporting entity; ~~and~~**
- (c) **financial statements of a for-profit entity that are, or are held out to be, general purpose financial statements; and**

- (d) for-profit private sector entities that have public accountability and are required by legislation to comply with Australian Accounting Standards.
- 7 AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows*, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, AASB 1048 *Interpretation of Standards* and AASB 1054 *Australian Additional Disclosures* apply to:
- (a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act;
- (b) general purpose financial statements of each reporting entity; ~~and~~
- (c) financial statements that are, or are held out to be, general purpose financial statements; and
- (d) for-profit private sector entities that have public accountability and are required by legislation to comply with Australian Accounting Standards.
- 8 AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* applies to:
- (a) each for-profit entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;
- (b) general purpose financial statements of each other for-profit reporting entity; ~~and~~
- (c) financial statements of a for-profit entity that are, or are held out to be, general purpose financial statements; and
- (d) for-profit private sector entities that have public accountability and are required by legislation to comply with Australian Accounting Standards.
- 9 AASB 133 *Earnings per Share* applies to:
- (a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity or discloses earnings per share; and
- (b) for-profit private sector entities that have public accountability and are required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act or disclose earnings per share.
- ...
- 12 AASB 1038 *Life Insurance Contracts* applies to:
- (a) a life insurer; or
- (b) the parent in a group that includes a life insurer;
- when the entity:
- (c) is a reporting entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act;
- (d) is an other reporting entity and prepares general purpose financial statements; ~~or~~
- (e) prepares financial statements that are, or are held out to be, general purpose financial statements; or
- (f) is a for-profit private sector entity that has public accountability and is required by legislation to comply with Australian Accounting Standards.
- ...
- 18 AASB 1053 *Application of Tiers of Australian Accounting Standards* applies to:
- (a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act;
- (b) general purpose financial statements of each reporting entity;
- (c) financial statements that are, or are held out to be, general purpose financial statements; ~~and~~
- (d) financial statements of GGSs prepared in accordance with AASB 1049; and
- (e) for-profit private sector entities that have public accountability and are required by legislation to comply with Australian Accounting Standards.
- ...
- 20 AASB 1056 *Superannuation Entities* applies to:

- (a) general purpose financial statements of each superannuation entity that is a reporting entity; ~~and~~
- (b) financial statements of a superannuation entity that are held out to be general purpose financial statements; and
- (c) for-profit superannuation entities that have public accountability and are required by legislation to comply with Australian Accounting Standards.

Application of Australian Interpretations

- 22 Unless specified otherwise in paragraphs 23–26, Interpretations apply to:
- (a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;
 - (b) general purpose financial statements of each other reporting entity; ~~and~~
 - (c) financial statements that are, or are held out to be, general purpose financial statements; and
 - (d) for-profit private sector entities that have public accountability and are required by legislation to comply with Australian Accounting Standards.
- 23 Interpretation 110 *Government Assistance – No Specific Relation to Operating Activities* applies to:
- (a) each for-profit entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;
 - (b) general purpose financial statements of each other for-profit reporting entity; ~~and~~
 - (c) financial statements of a for-profit entity that are, or are held out to be, general purpose financial statements; and
 - (d) for-profit private sector entities that have public accountability and are required by legislation to comply with Australian Accounting Standards.
- 24 Interpretation 1019 *The Superannuation Contributions Surcharge* applies to:
- (a) each superannuation plan that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;
 - (b) general purpose financial statements of each other superannuation plan that is a reporting entity; ~~and~~
 - (c) financial statements of a superannuation plan that are, or are held out to be, general purpose financial statements; and
 - (d) for-profit superannuation plans that have public accountability and are required by legislation to comply with Australian Accounting Standards.
- 26 Interpretation 1047 *Professional Indemnity Claims Liabilities in Medical Defence Organisations* applies to entities that are or include medical defence organisations as follows:
- (a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;
 - (b) general purpose financial statements of each other reporting entity; ~~and~~
 - (c) financial statements that are, or are held out to be, general purpose financial statements; and
 - (d) for-profit private sector entities that have public accountability and are required by legislation to comply with Australian Accounting Standards.

Appendix Defined terms

reporting entity

An entity in respect of which it is reasonable to expect the existence of users who rely on the entity's general purpose financial statements for information that will be useful to them for making and evaluating decisions about the allocation of resources. A reporting entity can be a single entity or a group comprising a parent and all of its subsidiaries.

This reporting entity definition is not relevant to:

- (a) for-profit private sector entities that have public accountability and are required by legislation to comply with Australian Accounting Standards; and
- (b) other for-profit entities that elect to apply the *Conceptual Framework for Financial Reporting* and the consequential amendments to other pronouncements set out in *AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework*.

Amendments to Interpretation 12

In the References section, the reference to the *Framework for the Preparation and Presentation of Financial Statements* and its footnote are amended.

References

- *Framework for the Preparation and Presentation of Financial Statements* ~~(as identified in AASB 1048 Interpretation of Standards)~~¹
 - 1 ~~In December 2013 the AASB amended the *Framework for the Preparation and Presentation of Financial Statements*.—The reference is to the *Framework for the Preparation and Presentation of Financial Statements* adopted by the AASB in 2004 and in effect when the Interpretation was developed.~~

Amendments to Interpretation 16

Paragraph AusCF1 is added.

Background

AusCF1 AusCF entities are:

- (a) not-for-profit entities; and
- (b) for-profit entities that are not applying the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*).

For AusCF entities, the term 'reporting entity' is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. For-profit entities applying the *Conceptual Framework for Financial Reporting* are set out in paragraph Aus1.1 of the *Conceptual Framework*.

Amendments to Interpretation 19

In the References section, the reference to the *Framework for the Preparation and Presentation of Financial Statements* and its footnote are amended.

References

- *Framework for the Preparation and Presentation of Financial Statements* ~~(as identified in AASB 1048 Interpretation of Standards)~~¹
 - 1 ~~In December 2013 the AASB amended the *Framework for the Preparation and Presentation of Financial Statements*.—The reference is to the *Framework for the Preparation and Presentation of Financial Statements* adopted by the AASB in 2004 and in effect when the Interpretation was developed.~~

Amendments to Interpretation 20

In the References section, the reference to the *Framework for the Preparation and Presentation of Financial Statements* is amended and a footnote added.

References

- *Framework for the Preparation and Presentation of Financial Statements* (as identified in AASB 1048 *Interpretation of Standards*)¹

¹ The reference is to the *Framework for the Preparation and Presentation of Financial Statements* adopted by the AASB in 2004 and in effect when the Interpretation was developed.

Amendments to Interpretation 22

In the References section, the reference to the *Framework for the Preparation and Presentation of Financial Statements* is amended and a footnote added.

References

- *Framework for the Preparation and Presentation of Financial Statements* (as identified in AASB 1048 *Interpretation of Standards*)^{*}

^{*} The reference is to the *Framework for the Preparation and Presentation of Financial Statements* adopted by the AASB in 2004 and in effect when the Interpretation was developed.

Amendments to Interpretation 132

Paragraph 5 is amended and the footnote to the *Framework* in paragraph 5 is deleted. Paragraphs AusCF1 and AusCF5 are added. A new paragraph is also added at the end of the section under the heading 'Effective date'.

Issue

AusCF1 AusCF paragraphs and footnotes included in this Standard apply only to:

- (a) not-for-profit entities; and
- (b) for-profit entities that are not applying the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*).

Such entities are referred to as 'AusCF entities'. For AusCF entities, the term 'reporting entity' is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. For-profit entities applying the *Conceptual Framework for Financial Reporting* (as set out in paragraph Aus1.1 of the *Conceptual Framework*) shall not apply AusCF paragraphs or footnotes.

...

- 5 This Interpretation does not apply to expenditure on purchasing, developing, and operating hardware (eg web servers, staging servers, production servers and Internet connections) of a web site. Such expenditure is accounted for under AASB 116. Additionally, when an entity incurs expenditure on an Internet service provider hosting the entity's web site, the expenditure is recognised as an expense under AASB 101.88 and the *Framework for the Preparation and Presentation of Financial Statements—Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*)[†] when the services are received.

[†] In December 2013 the AASB amended the *Framework for the Preparation and Presentation of Financial Statements*.

AusCF5 Notwithstanding paragraph 5, in respect of AusCF entities, this Interpretation does not apply to expenditure on purchasing, developing, and operating hardware (eg web servers, staging servers, production servers and Internet connections) of a web site. Such expenditure is accounted for under AASB 116. Additionally, when an entity incurs expenditure on an Internet service provider hosting the entity's web site, the expenditure is recognised as an expense under AASB 101.88 and the *Framework for the Preparation and*

Presentation of Financial Statements (as identified in AASB 1048 Interpretation of Standards)^{AusCF1} when the services are received.

AusCF1 In December 2013 the AASB amended the *Framework for the Preparation and Presentation of Financial Statements*.

Effective date

AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework, issued in 2019, added AusCF paragraphs and amended paragraph 5. An entity shall apply the amendments for annual periods beginning on or after 1 January 2020. Earlier application is permitted if at the same time an entity also applies all other amendments made by AASB 2019-1. An entity shall apply the amendments to Interpretation 132 retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. However, if an entity determines that retrospective application would be impracticable or would involve undue cost or effort, it shall apply the amendments to Interpretation 132 by reference to paragraphs 23–28, 50–53 and 54F of AASB 108.

Amendments to Interpretation 1003

Paragraph AusCF1 is added. Paragraph 10 is deleted. (The application of Interpretation 1003 to entities and financial statements is set out in AASB 1057 *Application of Australian Accounting Standards*.)

BACKGROUND

AusCF1 AusCF entities are:

- (a) not-for-profit entities; and
- (b) for-profit entities that are not applying the Conceptual Framework for Financial Reporting (as identified in AASB 1048 Interpretation of Standards).

For AusCF entities, the term ‘reporting entity’ is defined in AASB 1057 Application of Australian Accounting Standards and Statement of Accounting Concepts SAC 1 Definition of the Reporting Entity also applies. For-profit entities applying the Conceptual Framework for Financial Reporting are set out in paragraph Aus1.1 of the Conceptual Framework.

APPLICATION

10 ~~[Deleted by the AASB] This Interpretation applies to:~~

- ~~(a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act 2001 and that is a reporting entity;~~
- ~~(b) general purpose financial statements of each other reporting entity; and~~
- ~~(c) financial statements that are, or are held out to be, general purpose financial statements.~~

Amendments to Interpretation 1019

Paragraph 18 is amended and the footnote to the *Framework* in paragraph 18 is deleted. In the References section, the reference to the *Framework for the Preparation and Presentation of Financial Statements* and its footnote are amended.

Discussion

18 AASB 137 defines a liability as a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits. The *Framework for the Preparation and Presentation of Financial Statements (as identified in AASB 1048 Interpretation of Standards)*[†] defines expenses as decreases in economic benefits during the reporting period in the form of

outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Superannuation plans which hold surchargeable contributions are required to make an outflow of resources embodying economic benefits to the Australian Taxation Office. This Interpretation reflects the view that the obligation to make the outflow is a liability of the plan and gives rise to a corresponding expense.

¹ In December 2013 the AASB amended the *Framework for the Preparation and Presentation of Financial Statements*.

REFERENCES

Framework for the Preparation and Presentation of Financial Statements (as identified in AASB 1048 *Interpretation of Standards*)¹

¹ In December 2013 the AASB amended the *Framework for the Preparation and Presentation of Financial Statements*. The reference is to the *Framework for the Preparation and Presentation of Financial Statements* adopted by the AASB in 2004 and in effect when the Interpretation was developed.

Amendments to Interpretation 1031

Paragraph AusCF1 is added. Paragraph 12 is deleted. (The application of Interpretation 1031 to entities and financial statements is set out in AASB 1057 *Application of Australian Accounting Standards*.) Paragraph 21 is amended. In the References section, the reference to the *Framework for the Preparation and Presentation of Financial Statements* and its footnote are amended.

Issue

AusCF1 AusCF entities are:

- (a) not-for-profit entities; and
- (b) for-profit entities that are not applying the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*).

For AusCF entities, the term 'reporting entity' is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. For-profit entities applying the *Conceptual Framework for Financial Reporting* are set out in paragraph Aus1.1 of the *Conceptual Framework*.

Application

12 ~~[Deleted by the AASB] This Interpretation applies to:~~

- ~~(a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the *Corporations Act 2001* and that is a reporting entity;~~
- ~~(b) general purpose financial statements of each other reporting entity; and~~
- ~~(c) financial statements that are, or are held out to be, general purpose financial statements.~~

Discussion

21 Where an entity undertakes taxable and GST-free activities, it is entitled to claim input tax credits and recover from the taxation authority the GST included in the purchase price of supplies. This Interpretation reflects the view that in these cases the GST is not part of the cost of the asset acquired or the expense incurred. This is consistent with the *Framework for the Preparation and Presentation of Financial Statements* (as identified in AASB 1048 *Interpretation of Standards*), which states that 'expenses are recognised in the income statement when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.' It is also consistent with AASB 102, which provides that the cost of purchase of inventories does not include taxes that are subsequently

recoverable from the taxing authorities. In addition, AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets* require assets acquired to be recognised at their cost, being the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction (production). Therefore, recoverable GST would not be included in the cost of acquisition.

REFERENCES

Framework for the Preparation and Presentation of Financial Statements (as identified in AASB 1048 *Interpretation of Standards*)¹

- 1 In December 2013 the AASB amended the *Framework for the Preparation and Presentation of Financial Statements*. The reference is to the *Framework for the Preparation and Presentation of Financial Statements* adopted by the AASB in 2004 and in effect when the Interpretation was developed.

Amendments to Interpretation 1038

In the References section, the reference to the *Framework for the Preparation and Presentation of Financial Statements* and its footnote are amended. Paragraph 14 is deleted. (The application of Interpretation 1038 to entities and financial statements is set out in AASB 1057 *Application of Australian Accounting Standards*.) Paragraph 34 is amended and the footnote to the *Framework* in paragraph 34 is deleted.

References

Framework for the Preparation and Presentation of Financial Statements (as identified in AASB 1048 *Interpretation of Standards*)¹

- 1 In December 2013 the AASB amended the *Framework for the Preparation and Presentation of Financial Statements*. The reference is to the *Framework for the Preparation and Presentation of Financial Statements* adopted by the AASB in 2004 and in effect when the Interpretation was developed.

Application

14. ~~[Deleted by the AASB] **This Interpretation applies to public sector entities as follows:**~~
- ~~(a) **each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act 2001 and that is a reporting entity;**~~
 - ~~(b) **general purpose financial statements of each other reporting entity; and**~~
 - ~~(c) **financial statements that are, or are held out to be, general purpose financial statements.**~~

Redesignation

34. This Interpretation does not permit a contribution by owners to be redesignated as income. The definition of income under the *Framework for the Preparation and Presentation of Financial Statements* (as identified in AASB 1048 *Interpretation of Standards*)² indicates that an inflow of economic benefits that results in an increase in equity (other than increases relating to contributions from equity participants) has occurred. A transfer to an entity increases its equity only once, and the transferee's equity does not increase at the time of any intended redesignation.

- 2 In December 2013 the AASB amended the *Framework for the Preparation and Presentation of Financial Statements*.

Amendments to Interpretation 1047

Paragraph AusCF1 is added. Paragraph 10 is deleted. (The application of Interpretation 1047 to entities and financial statements is set out in AASB 1057 *Application of Australian Accounting Standards*.)

Issue

AusCF1 AusCF entities are:

- (a) not-for-profit entities; and
- (b) for-profit entities that are not applying the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*).

For AusCF entities, the term ‘reporting entity’ is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. For-profit entities applying the *Conceptual Framework for Financial Reporting* are set out in paragraph Aus1.1 of the *Conceptual Framework*.

...

Application

10 ~~[Deleted by the AASB] This Interpretation applies to entities that are or include medical defence organisations as follows:~~

- ~~(a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the *Corporations Act 2001* and that is a reporting entity;~~
- ~~(b) general purpose financial statements of each other reporting entity; and~~
- ~~(c) financial statements that are, or are held out to be, general purpose financial statements.~~

Amendments to Interpretation 1052

Paragraph 17 is deleted. (The application of Interpretation 1052 to entities and financial statements is set out in AASB 1057 *Application of Australian Accounting Standards*.) Paragraph 42 and the footnote to the *Framework* in paragraph 42 are amended.

Application

17 ~~[Deleted by the AASB] This Interpretation applies to:~~

- ~~(a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the *Corporations Act 2001* and that is a reporting entity;~~
- ~~(b) general purpose financial statements of each other reporting entity; and~~
- ~~(c) financial statements that are, or are held out to be, general purpose financial statements.~~

...

Current Taxes

...

42 The derecognition of a subsidiary’s current tax liability (or asset) is treated under this Interpretation as a contribution by (or distribution to) the head entity, in conjunction with any tax funding arrangement amounts, on the basis that the transaction is with the parent in its capacity as the parent. The definition of “income” (or “expenses”) in the *Framework for the Preparation and Presentation of Financial Statements*¹ cannot be satisfied, as the decrease in the subsidiary’s current tax liability (or asset) results from a contribution by or distribution to equity participants. This Interpretation does not prescribe which equity accounts are to be adjusted by subsidiaries for tax-consolidation contributions or distributions.

¹ ~~In December 2013 the AASB amended the *Framework for the Preparation and Presentation of Financial Statements*. The reference is to the *Framework for the Preparation and Presentation of Financial Statements* adopted by the AASB in 2004 and in effect when the Interpretation was developed.~~

Amendments to AASB Practice Statement 2

Paragraphs 5, 7, 13, 14 (Example D), 15, 17, 18, 19, 20, 21, 22, 36, 38, 56 and 62 and footnotes 2, 5, 10, 11, 13, 14, 16, 19, 20, 21, 23, 24 and 27 are amended. Paragraphs AusCF1, AusCF5 and AusCF22 and footnotes AusCF2, AusCF5, AusCF10, AusCF11, AusCF13, AusCF14, AusCF15, AusCF16, AusCF17, AusCF19, AusCF20, AusCF21, AusCF23, AusCF24, AusCF27 and AusCF30 are also added. Footnotes 15, 17 and 47 are deleted.

Appendix B is amended to include extracts from the *Conceptual Framework for Financial Reporting*. Appendix AusCF B is added to retain extracts from the *Framework for the Preparation and Presentation of Financial Statements*.

Objective

...

AusCF1 AusCF paragraphs and footnotes included in this Practice Statement apply only to:

(a) not-for-profit entities; and

(b) for-profit entities that are not applying the *Conceptual Framework for Financial Reporting*.

Such entities are referred to as ‘AusCF entities’. For AusCF entities, the term ‘reporting entity’ is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. For-profit entities applying the *Conceptual Framework for Financial Reporting* (as set out in paragraph Aus1.1 of the *Conceptual Framework*) shall not apply AusCF paragraphs or footnotes.

...

Definition of material

5 The ~~*Framework for the Preparation and Presentation of Financial Statements–Conceptual Framework for Financial Reporting*~~ as identified in AASB 1048 *Interpretation of Standards* (the *Conceptual Framework*) provides the following definition of material information (paragraph 7 of AASB 101 *Presentation of Financial Statements* provides a similar definition¹):

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial reports make on the basis of those reports, which provide financial information about a specific reporting entity. In other words, materiality is an entity-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual entity’s financial report.²

1 See paragraph 7 of AASB 101 *Presentation of Financial Statements*.

2 Paragraph QC11-2.11 of the ~~*Framework for the Preparation and Presentation of Financial Statements–Conceptual Framework for Financial Reporting*~~ (the *Conceptual Framework*).

AusCF5 Notwithstanding paragraph 5, in respect of AusCF entities, the *Framework for the Preparation and Presentation of Financial Statements* as identified in AASB 1048 *Interpretation of Standards* (the *Framework*) provides the following definition of material information (paragraph 7 of AASB 101 *Presentation of Financial Statements* provides a similar definition¹):

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial reports make on the basis of those reports, which provide financial information about a specific reporting entity. In other words, materiality is an entity-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual entity’s financial report.^{AusCF2}

1 See paragraph 7 of AASB 101 *Presentation of Financial Statements*.

AusCF2 Paragraph QC11 of the *Framework for the Preparation and Presentation of Financial Statements* (the *Framework*).

...

7 The objective of financial statements is to provide financial information about a reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity.^{5, AusCF5} The entity identifies the information necessary to meet that objective by making appropriate materiality judgements.

5 See paragraph ~~OB2-1.2~~ of the *Conceptual Framework*.

AusCF5 Notwithstanding footnote 5, in respect of AusCF entities, see paragraph OB2 of the *Framework*.

...

- 13 When making materiality judgements, an entity needs to consider the impact information could reasonably be expected to have on the primary users of its financial statements. Those primary users are existing and potential investors, lenders and other creditors—those users who cannot require entities to provide information directly to them and must rely on general purpose financial statements for much of the financial information they need.^{10, AusCF10} In addition to those primary users, other parties, such as the entity’s management, regulators and members of the public, may be interested in financial information about the entity and may find the financial statements useful. However, the financial statements are not primarily directed at these other parties.^{11, AusCF11}

10 See paragraph OB5-1.5 of the *Conceptual Framework*.

AusCF10 Notwithstanding footnote 10, in respect of AusCF entities, see paragraph OB5 of the *Framework*.

11 See paragraphs OB9-1.9 and OB10-1.10 of the *Conceptual Framework*.

AusCF11 Notwithstanding footnote 11, in respect of AusCF entities, see paragraphs OB9 and OB10 of the *Framework*.

...

- 14 Because primary users include potential investors, lenders and other creditors, it would be inappropriate for an entity to narrow the information provided in its financial statements by focusing only on the information needs of existing investors, lenders and other creditors.

Example D—existing and potential investors, lenders and other creditors

Background

An entity is 100 per cent owned by its parent. Its parent provides the entity with semi-finished products that the entity assembles and sells back to the parent. The entity is entirely financed by its parent. The current users of the entity’s financial statements include the parent and the entity’s creditors (mainly local suppliers).

Application

The entity refers to the *Framework for the Preparation and Presentation of Financial Statements Conceptual Framework for Financial Reporting* to identify the primary users of its financial statements—existing and potential investors, lenders and other creditors who cannot require the entity to provide information directly to them and must rely on general purpose financial statements. When making materiality judgements in the preparation of its financial statements, the entity does not reduce its disclosures to only those of interest to its parent or its existing creditors. The entity also considers the information needs of potential investors, lenders and other creditors when making those judgements.

Example AusCF D—existing and potential investors, lenders and other creditors

Background

An entity is 100 per cent owned by its parent. Its parent provides the entity with semi-finished products that the entity assembles and sells back to the parent. The entity is entirely financed by its parent. The current users of the entity’s financial statements include the parent and the entity’s creditors (mainly local suppliers).

Application

The entity refers to the *Framework for the Preparation and Presentation of Financial Statements* to identify the primary users of its financial statements—existing and potential investors, lenders and other creditors who cannot require the entity to provide information directly to them and must rely on general purpose financial statements. When making materiality judgements in the preparation of its financial statements, the entity does not reduce its disclosures to only those of interest to its parent or its existing creditors. The entity also considers the information needs of potential investors, lenders and

other creditors when making those judgements.

15 When making materiality judgements, an entity also considers that primary users are expected to have a reasonable knowledge of business and economic activities and to review and analyse the information included in the financial statements diligently.^{13, AusCF13}

13 See paragraph QC32-2.36 of the *Conceptual Framework*.

AusCF13 Notwithstanding footnote 13, in respect of AusCF entities, see paragraph QC32 of the *Framework*.

17 The primary users of an entity's financial statements make decisions about providing resources to the entity. Those decisions involve: buying, selling or holding equity and debt instruments, providing or settling loans and other forms of credit,¹⁴ and exercising rights while holding investments (such as the right to vote on or otherwise influence management's actions that affect the use of the entity's economic resources).^{14, AusCF14, 45 AusCF15} Such decisions depend on the returns that primary users expect from an investment in those instruments.

14 See paragraph OB2-1.2 of the *Conceptual Framework*.

AusCF14 Notwithstanding footnote 14, in respect of AusCF entities, see paragraph OB2 of the *Framework*.

15 ~~The International Accounting Standards Board (IASB) considers primary users' resource allocation decisions to include decisions needed to exercise rights while holding investments, such as rights to vote on or otherwise influence management's actions that affect the use of the entity's economic resources. The IASB has tentatively decided to clarify this point, which was previously implicit in the phrase 'decisions to hold equity instruments', as part of its deliberations on the revised *Conceptual Framework*. The AASB will review this guidance as part of its deliberations on the revised *Framework*.~~

AusCF15 The International Accounting Standards Board (IASB) considers primary users' resource allocation decisions to include decisions needed to exercise rights while holding investments, such as rights to vote on or otherwise influence management's actions that affect the use of the entity's economic resources. The IASB has clarified this point, which was previously implicit in the phrase 'decisions to hold equity instruments', in the revised *Conceptual Framework*. The AASB will review this guidance as part of its deliberations on the revised *Framework*.

18 The expectations existing and potential investors, lenders and other creditors have about returns, in turn, depend on their assessment of the amount, timing and uncertainty of the future net cash inflows to an entity,¹⁶ together with their assessment of management's stewardship of the entity's resources.^{16, AusCF16, 47 AusCF17}

16 See paragraph OB3-1.3 of the *Conceptual Framework*.

AusCF16 Notwithstanding footnote 16, in respect of AusCF entities, see paragraph OB3 of the *Framework*.

17 ~~Paragraph 1.3 of the IASB Exposure Draft ED/2015/3 *Conceptual Framework for Financial Reporting* (Conceptual Framework ED) proposed to reintroduce the term 'stewardship' and to explain explicitly that investors', creditors' and other lenders' expectations about returns also depend on their assessment of management's stewardship of the entity's resources. The IASB has tentatively decided to confirm this as part of its deliberations on the revised *Conceptual Framework*. The AASB will review this guidance as part of its deliberations on the revised *Framework*.~~

AusCF17 Paragraph 1.3 of the IASB Exposure Draft ED/2015/3 *Conceptual Framework for Financial Reporting* (Conceptual Framework ED) proposed to reintroduce the term 'stewardship' and to explain explicitly that investors', creditors' and other lenders' expectations about returns also depend on their assessment of management's stewardship of the entity's resources. The IASB has confirmed this in the revised *Conceptual Framework*. The AASB will review this guidance as part of its deliberations on the revised *Framework*.

19 Consequently, an entity's primary users need information about:

- (a) the resources of the entity (assets), claims against the entity (liabilities and equity) and changes in those resources and claims (income and expenses); and
- (b) how efficiently and effectively the entity's management and governing board have discharged their responsibility to use the entity's resources.^{19, AusCF19}

19 See paragraph OB4-1.4 of the *Conceptual Framework*.

AusCF19 Notwithstanding footnote 19, in respect of AusCF entities, see paragraph OB4 of the *Framework*.

20 Financial information can make a difference in decisions if it has predictive value, confirmatory value or both.^{20, AusCF20} When making materiality judgements, an entity needs to assess whether information could reasonably be expected to influence primary users' decisions, rather than assessing whether that information alone could reasonably be expected to change their decisions.

20 See paragraph QC7-2.7 of the *Conceptual Framework*.

AusCF20 Notwithstanding footnote 20, in respect of AusCF entities, see paragraph QC7 of the *Framework*.

21 The objective of financial statements is to provide primary users with financial information that is useful to them in making decisions about providing resources to an entity. However, general purpose financial statements do not, and cannot, provide all the information that primary users need.^{21, AusCF21} Therefore, the entity aims to meet the common information needs of its primary users. It does not aim to address specialised information needs—information needs that are unique to particular users.

21 See paragraph OB6-1.6 of the *Conceptual Framework*.

AusCF21 Notwithstanding footnote 21, in respect of AusCF entities, see paragraph OB6 of the *Framework*.

22 To meet the common information needs of its primary users, an entity first separately identifies the information needs that are shared by users within one of the three categories of primary users defined in the *Conceptual Framework*—for example investors (existing and potential)—then repeats the assessment for the two remaining categories—namely lenders (existing and potential) and other creditors (existing and potential). The total of the information needs identified is the set of common information needs the entity aims to meet.

AusCF22 Notwithstanding paragraph 22, in respect of AusCF entities, to meet the common information needs of its primary users, an entity first separately identifies the information needs that are shared by users within one of the three categories of primary users defined in the *Framework*—for example investors (existing and potential)—then repeats the assessment for the two remaining categories—namely lenders (existing and potential) and other creditors (existing and potential). The total of the information needs identified is the set of common information needs the entity aims to meet.

...

36 In identifying this information, an entity considers, as a starting point, the requirements of the Australian Accounting Standards applicable to its transactions, other events and conditions. This is the starting point because, when developing a Standard, the Board identifies the information it expects will meet the needs of a broad range of primary users for a wide variety of entities in a range of circumstances.^{23, AusCF23}

23 See paragraph OB8-1.8 of the *Conceptual Framework*.

AusCF23 Notwithstanding footnote 23, in respect of AusCF entities, see paragraph OB8 of the *Framework*.

...

38 An entity also considers its primary users' common information needs (as explained in paragraphs 21–23) to identify any information—in addition to that specified in Australian Accounting Standards—necessary to enable primary users to understand the impact of the entity's transactions, other events and conditions on the entity's financial position, financial performance and cash flows (see paragraph 10). Existing and potential investors, lenders and other creditors need information about the resources of the entity (assets), claims against the entity (liabilities and equity) and changes in those resources and claims (income and expenses), and information that will help them assess how efficiently and effectively the entity's management and governing board have discharged their responsibility to use the entity's resources.^{24, AusCF24}

24 See paragraph OB4-1.4 of the *Conceptual Framework*.

AusCF24 Notwithstanding footnote 24, in respect of AusCF entities, see paragraph OB4 of the *Framework*.

...

56 Classifying, characterising and presenting information clearly and concisely makes it understandable.^{27, AusCF27} An entity exercises judgement when deciding how to communicate information clearly and concisely. For example, the entity is more likely to clearly and concisely communicate the material information identified in Step 2 by organising it to: ...

27 See paragraph QC30-2.34 of the *Conceptual Framework*.

AusCF27 Notwithstanding footnote 27, in respect of AusCF entities, see paragraph QC30 of the *Framework*.

...

62 This review gives an entity the opportunity to 'step back' and consider the information provided from a wider perspective and in aggregate. This enables the entity to consider the overall picture of its financial position, financial performance and cash flows. In performing this review, the entity also considers whether:

- (a) all relevant relationships between different items of information have been identified. Identifying new relationships between information might lead to that information being identified as material for the first time.
- (b) items of information that are individually immaterial, when considered together, could nevertheless reasonably be expected to influence primary users' decisions.

- (c) the information in the financial statements is communicated in an effective and understandable way, and organised to avoid obscuring material information.
 - (d) the financial statements provide a fair presentation of the entity's financial position, financial performance and cash flows.^{30, AusCF30}
- 30 See paragraph 15 of AASB 101.

AusCF30 Notwithstanding footnote 30, in respect of AusCF entities, see paragraph AusCF15 of AASB 101.

Appendix B

References to the ~~Framework for the Preparation and Presentation of Financial Statements~~ Conceptual Framework for Financial Reporting and Australian Accounting Standards

Extracts from the ~~Framework for the Preparation and Presentation of Financial Statements~~⁴⁷ Conceptual Framework for Financial Reporting

47 References to the *Framework for the Preparation and Presentation of Financial Statements* in this Practice Statement will be updated once the revised IASB *Conceptual Framework* is issued.

Paragraph ~~OB2-1.2~~

...

~~The objective of general purpose financial reporting is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity. Those decisions involve buying, selling or holding equity and debt instruments, and providing or settling loans and other forms of credit. The objective of general purpose financial reporting is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions relating to providing resources to the entity. Those decisions involve decisions about:~~

- ~~(a) buying, selling or holding equity and debt instruments;~~
- ~~(b) providing or settling loans and other forms of credit; or~~
- ~~(c) exercising rights to vote on, or otherwise influence, management's actions that affect the use of the entity's economic resources.~~

Paragraph ~~AusOB2.1~~

~~Referred to in paragraphs Aus13.1 and Aus18.1 of the Practice Statement~~

~~Among the users of financial information about a not for profit reporting entity are existing and potential resource providers (such as investors, lenders and other creditors, donors and taxpayers), recipients of goods and services (such as beneficiaries, for example, members of the community) and parties performing a review or oversight function on behalf of other users (such as advisers and members of parliament). Such users may make resource allocation decisions in relation to not for profit entities that differ from those identified in paragraph OB2. For example, parliaments decide, on behalf of constituents, whether to fund particular programmes for delivery by an entity, taxpayers decide who should represent them in government, donors decide whether to donate resources to an entity, and recipients decide whether they can continue to rely on the provision of goods and services from the entity or whether to seek alternative suppliers. In relation to not for profit entities, where pertinent, all references in this *Framework* to 'existing' and potential investors, lenders and other creditors' (and related terms) should be read as a reference to this broader range of users.~~

Paragraph ~~OB3-1.3~~

...

~~Decisions by existing and potential investors about buying, selling or holding equity and debt instruments depend on the returns that they expect from an investment in those instruments, for example dividends, principal and interest payments or market price increases. Similarly, decisions by existing and potential lenders and other creditors about providing or settling loans and other forms of credit depend on the principal and interest payments or other returns that they expect. Investors', lenders' and other creditors' expectations about returns depend on their assessment of the amount, timing and uncertainty of (the~~

prospects for) future net cash inflows to the entity. Consequently, existing and potential investors, lenders and other creditors need information to help them assess the prospects for future net cash inflows to an entity. The decisions described in paragraph 1.2 depend on the returns that existing and potential investors, lenders and other creditors expect, for example, dividends, principal and interest payments or market price increases. Investors', lenders' and other creditors' expectations about returns depend on their assessment of the amount, timing and uncertainty of (the prospects for) future net cash inflows to the entity and on their assessment of management's stewardship of the entity's economic resources. Existing and potential investors, lenders and other creditors need information to help them make those assessments.

Paragraph ~~Aus~~OB3.1

Referred to in paragraph Aus18.1 of the Practice Statement

~~In respect of not for profit entities, users (such as certain existing and potential resource providers) are generally not concerned with obtaining a financial return on an investment in the entity. Rather, they are concerned with the ability of the entity to achieve its objectives (whether financial or nonfinancial), which in turn may depend, at least in part, on the entity's prospects for future net cash inflows. Users will, for example, be interested in the capability of the entity's resources to provide goods and services in the future. Accordingly, in relation to not for profit entities, where pertinent, references in this *Framework* to 'assessing prospects for future net cash inflows' (and related terms) should be read in the context of the common information needs of users of general purpose financial reports of not for profit entities described in this paragraph.~~

Paragraph ~~OB~~4.1.4

...

~~To assess an entity's prospects for future net cash inflows, existing and potential investors, lenders and other creditors need information about the resources of the entity, claims against the entity, and how efficiently and effectively the entity's management and governing board have discharged their responsibilities to use the entity's resources. Examples of such responsibilities include protecting the entity's resources from unfavourable effects of economic factors such as price and technological changes and ensuring that the entity complies with applicable laws, regulations and contractual provisions. Information about management's discharge of its responsibilities is also useful for decisions by existing investors, lenders and other creditors who have the right to vote on or otherwise influence management's actions. To make the assessments described in paragraph 1.3, existing and potential investors, lenders and other creditors need information about:~~

- ~~(a) the economic resources of the entity, claims against the entity and changes in those resources and claims (see paragraphs 1.12–1.21); and~~
- ~~(b) how efficiently and effectively the entity's management and governing board have discharged their responsibilities to use the entity's economic resources (see paragraphs 1.22–1.23).~~

Paragraph ~~OB~~5.1.5

...

Paragraph ~~OB~~6.1.6

...

Paragraph ~~OB~~8.1.8

...

~~Individual primary users have different, and possibly conflicting, information needs and desires. The Board, in developing financial reporting standards, will seek to provide the information set that will meet the needs of the maximum number of primary users. However, focusing on common information needs does not prevent the reporting entity from including additional information that is most useful to a particular subset of primary users. Individual primary users have different, and possibly conflicting, information needs and desires. The Board, in developing Standards, will seek to provide the information set that will meet the needs of the maximum number of primary users. However, focusing on common information needs does not prevent the reporting entity from including additional information that is most useful to a particular subset of primary users.~~

Paragraph ~~OB~~9.1.9

...

Paragraph OB10-1.10

...

Paragraph QC7-2.7

...

Paragraph QC11-2.11

...

Paragraph QC30-2.34

...

Classifying, characterising and presenting information clearly and concisely makes it *understandable*.

Paragraph QC32-2.36

...

Extracts from AASB 101 *Presentation of Financial Statements*

...

Paragraph 15

Referred to in paragraph 62 of the Practice Statement

Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework *Conceptual Framework for Financial Reporting*. The application of Australian Accounting Standards, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.

Appendix AusCF B

References to the *Framework for the Preparation and Presentation of Financial Statements* and Australian Accounting Standards

Extracts from the *Framework for the Preparation and Presentation of Financial Statements*^{AusCF47}

^{AusCF47} *References to the Framework for the Preparation and Presentation of Financial Statements in this Practice Statement will be updated once the revised IASB Conceptual Framework is issued for AusCF entities.*

Paragraph OB2

Referred to in paragraphs 7 and 17 of the Practice Statement

The objective of general purpose financial reporting is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity. Those decisions involve buying, selling or holding equity and debt instruments, and providing or settling loans and other forms of credit.

Paragraph AusOB2.1

Referred to in paragraphs Aus13.1 and Aus18.1 of the Practice Statement

Among the users of financial information about a not-for-profit reporting entity are existing and potential resource providers (such as investors, lenders and other creditors, donors and taxpayers), recipients of goods and services (such as beneficiaries, for example, members of the community) and parties performing a review or oversight function on behalf of other users (such as advisers and members of parliament). Such

users may make resource allocation decisions in relation to not-for-profit entities that differ from those identified in paragraph OB2. For example, parliaments decide, on behalf of constituents, whether to fund particular programmes for delivery by an entity, taxpayers decide who should represent them in government, donors decide whether to donate resources to an entity, and recipients decide whether they can continue to rely on the provision of goods and services from the entity or whether to seek alternative suppliers. In relation to not-for-profit entities, where pertinent, all references in this *Framework* to ‘existing and potential investors, lenders and other creditors’ (and related terms) should be read as a reference to this broader range of users.

Paragraph OB3

Referred to in paragraph 18 of the Practice Statement

Decisions by existing and potential investors about buying, selling or holding equity and debt instruments depend on the returns that they expect from an investment in those instruments, for example dividends, principal and interest payments or market price increases. Similarly, decisions by existing and potential lenders and other creditors about providing or settling loans and other forms of credit depend on the principal and interest payments or other returns that they expect. Investors’, lenders’ and other creditors’ expectations about returns depend on their assessment of the amount, timing and uncertainty of (the prospects for) future net cash inflows to the entity. Consequently, existing and potential investors, lenders and other creditors need information to help them assess the prospects for future net cash inflows to an entity.

Paragraph AusOB3.1

Referred to in paragraph Aus18.1 of the Practice Statement

In respect of not-for-profit entities, users (such as certain existing and potential resource providers) are generally not concerned with obtaining a financial return on an investment in the entity. Rather, they are concerned with the ability of the entity to achieve its objectives (whether financial or nonfinancial), which in turn may depend, at least in part, on the entity’s prospects for future net cash inflows. Users will, for example, be interested in the capability of the entity’s resources to provide goods and services in the future. Accordingly, in relation to not-for-profit entities, where pertinent, references in this *Framework* to ‘assessing prospects for future net cash inflows’ (and related terms) should be read in the context of the common information needs of users of general purpose financial reports of not-for-profit entities described in this paragraph.

Paragraph OB4

Referred to in paragraphs 19 and 38 of the Practice Statement

To assess an entity’s prospects for future net cash inflows, existing and potential investors, lenders and other creditors need information about the resources of the entity, claims against the entity, and how efficiently and effectively the entity’s management and governing board have discharged their responsibilities to use the entity’s resources. Examples of such responsibilities include protecting the entity’s resources from unfavourable effects of economic factors such as price and technological changes and ensuring that the entity complies with applicable laws, regulations and contractual provisions. Information about management’s discharge of its responsibilities is also useful for decisions by existing investors, lenders and other creditors who have the right to vote on or otherwise influence management’s actions.

Paragraph OB5

Referred to in paragraph 13 of the Practice Statement

Many existing and potential investors, lenders and other creditors cannot require reporting entities to provide information directly to them and must rely on general purpose financial reports for much of the financial information they need. Consequently, they are the primary users to whom general purpose financial reports are directed.

Paragraph OB6

Referred to in paragraph 21 of the Practice Statement

However, general purpose financial reports do not and cannot provide all of the information that existing and potential investors, lenders and other creditors need. Those users need to consider pertinent information from other sources, for example, general economic conditions and expectations, political events and political climate, and industry and company outlooks.

Paragraph OB8

Referred to in paragraph 36 of the Practice Statement

Individual primary users have different, and possibly conflicting, information needs and desires. The Board, in developing financial reporting standards, will seek to provide the information set that will meet the needs of the maximum number of primary users. However, focusing on common information needs does not prevent the reporting entity from including additional information that is most useful to a particular subset of primary users.

Paragraph OB9

Referred to in paragraph 13 of the Practice Statement

The management of a reporting entity is also interested in financial information about the entity. However, management need not rely on general purpose financial reports because it is able to obtain the financial information it needs internally.

Paragraph OB10

Referred to in paragraph 13 of the Practice Statement

Other parties, such as regulators and members of the public other than investors, lenders and other creditors, may also find general purpose financial reports useful. However, those reports are not primarily directed to these other groups.

Paragraph QC7

Referred to in paragraph 20 of the Practice Statement

Financial information is capable of making a difference in decisions if it has predictive value, confirmatory value or both.

Paragraph QC11

Referred to in paragraph 5 of the Practice Statement

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial reports make on the basis of those reports, which provide financial information about a specific reporting entity. In other words, materiality is an entity-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual entity's financial report. Consequently, the Board cannot specify a uniform quantitative threshold for materiality or predetermine what could be material in a particular situation.

Paragraph QC30

Referred to in paragraph 56 of the Practice Statement

Classifying, characterising and presenting information clearly and concisely makes it *understandable*.

Paragraph QC32

Referred to in paragraph 15 of the Practice Statement

Financial reports are prepared for users who have a reasonable knowledge of business and economic activities and who review and analyse the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena.

Extracts from AASB 101 Presentation of Financial Statements

Paragraph 7

Referred to in paragraphs 5, 41 and 60 of the Practice Statement

Material Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

Paragraph 7

Referred to in paragraph 6 of the Practice Statement

Assessing whether information could reasonably be expected to influence decisions made by the primary users of a specific reporting entity's general purpose financial statements requires an entity to consider the characteristics of those users while also considering the entity's own circumstances. [...] At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena.

Paragraph AusCF15

Referred to in paragraph 62 of the Practice Statement

Notwithstanding paragraph 15, in respect of AusCF entities, financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework. The application of Australian Accounting Standards, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.

Paragraph 17

Referred to in paragraph 10 of the Practice Statement

In virtually all circumstances, an entity achieves a fair presentation by compliance with applicable Australian Accounting Standards. A fair presentation also requires an entity:

- (a) to select and apply accounting policies in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. AASB 108 sets out a hierarchy of authoritative guidance that management considers in the absence of an Australian Accounting Standard that specifically applies to an item.
- (b) to present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- (c) to provide additional disclosures when compliance with the specific requirements in Australian Accounting Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Paragraph 29

Referred to in paragraph 43 of the Practice Statement

An entity shall present separately each material class of similar items. An entity shall present separately items of a dissimilar nature or function unless they are immaterial.

Paragraph 30A

Referred to in paragraphs 28, 57 and 69 of the Practice Statement

When applying this and other Australian Accounting Standards an entity shall decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity shall not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

Paragraph 31

Referred to in paragraph 10 of the Practice Statement

Some Australian Accounting Standards specify information that is required to be included in the financial statements, which include the notes. An entity need not provide a specific disclosure required by an Australian Accounting Standard if the information resulting from that disclosure is not material. This is the case even if the Australian Accounting Standard contains a list of specific requirements or describes them as minimum requirements. An entity shall also consider whether to provide additional disclosures when

compliance with the specific requirements in Australian Accounting Standards is insufficient to enable users of financial statements to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Paragraph 38

Referred to in paragraphs 67 and 70 of the Practice Statement

Except when Australian Accounting Standards permit or require otherwise, an entity shall present comparative information in respect of the preceding period for all amounts reported in the current period's financial statements. An entity shall include comparative information for narrative and descriptive information if it is relevant to understanding the current period's financial statements.

Paragraph 38A

Referred to in paragraph 67 of the Practice Statement

An entity shall present, as a minimum, two statements of financial position, two statements of profit or loss and other comprehensive income, two separate statements of profit or loss (if presented), two statements of cash flows and two statements of changes in equity, and related notes.

Paragraph 38C

Referred to in paragraph 69 of the Practice Statement

An entity may present comparative information in addition to the minimum comparative financial statements required by Australian Accounting Standards, as long as that information is prepared in accordance with Australian Accounting Standards. This comparative information may consist of one or more statements referred to in paragraph 10, but need not comprise a complete set of financial statements. When this is the case, the entity shall present related note information for those additional statements.

Paragraph BC30F of the Basis for Conclusions on IAS 1

Referred to in paragraphs 28 and 69 of the Practice Statement

Paragraph 30A was added to IAS 1 to highlight that when an entity decides how it aggregates information in the financial statements, it should take into consideration all relevant facts and circumstances. Paragraph 30A emphasises that an entity should not reduce the understandability of its financial statements by providing immaterial information that obscures the material information in financial statements or by aggregating material items that have different natures or functions. Obscuring material information with immaterial information in financial statements makes the material information less visible and therefore makes the financial statements less understandable. The amendments do not actually prohibit entities from disclosing immaterial information, because the Board thinks that such a requirement would not be operational; however, the amendments emphasise that disclosure should not result in material information being obscured.

Extracts from AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors

Paragraph 5

Referred to in paragraphs 72 and 78 of the Practice Statement

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- (a) was available when financial statements for those periods were authorised for issue; and**
- (b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.**

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Paragraph 8

Referred to in paragraph 8 of the Practice Statement

Australian Accounting Standards set out accounting policies that the AASB has concluded result in financial statements containing relevant and reliable information about the transactions, other events and conditions to which they apply. Those policies need not be applied when the effect of applying them is immaterial. However, it is inappropriate to make, or leave uncorrected, immaterial departures from Australian Accounting Standards to achieve a particular presentation of an entity's financial position, financial performance or cash flows.

Paragraph 41

Referred to in paragraph 73 of the Practice Statement

Errors can arise in respect of the recognition, measurement, presentation or disclosure of elements of financial statements. Financial statements do not comply with Australian Accounting Standards if they contain either material errors or immaterial errors made intentionally to achieve a particular presentation of an entity's financial position, financial performance or cash flows. Potential current period errors discovered in that period are corrected before the financial statements are authorised for issue. However, material errors are sometimes not discovered until a subsequent period, and these prior period errors are corrected in the comparative information presented in the financial statements for that subsequent period (see paragraphs 42–47).

Extracts from AASB 134 Interim Financial Reporting

Paragraph 6

Referred to in paragraph 87 of the Practice Statement

In the interest of timeliness and cost considerations and to avoid repetition of information previously reported, an entity may be required to or may elect to provide less information at interim dates as compared with its annual financial statements. This Standard defines the minimum content of an interim financial report as including condensed financial statements and selected explanatory notes. The interim financial report is intended to provide an update on the latest complete set of annual financial statements. Accordingly, it focuses on new activities, events, and circumstances and does not duplicate information previously reported.

Paragraph 15

Referred to in paragraph 87 of the Practice Statement

An entity shall include in its interim financial report an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period. Information disclosed in relation to those events and transactions shall update the relevant information presented in the most recent annual financial report.

Paragraph 15A

Referred to in paragraph 87 of the Practice Statement

A user of an entity's interim financial report will have access to the most recent annual financial report of that entity. Therefore, it is unnecessary for the notes to an interim financial report to provide relatively insignificant updates to the information that was reported in the notes in the most recent annual financial report.

Paragraph 20

Referred to in paragraph 85 of the Practice Statement

Interim reports shall include interim financial statements (condensed or complete) for periods as follows:

- (a) statement of financial position as of the end of the current interim period and a comparative statement of financial position as of the end of the immediately preceding financial year.**
- (b) statements of profit or loss and other comprehensive income for the current interim period and cumulatively for the current financial year to date, with comparative statements of profit or loss and other comprehensive income for the comparable interim periods (current and year-to-date) of the immediately preceding financial year. As permitted by AASB 101, an interim report may present for each period a statement or statements of profit or loss and other comprehensive income.**

- (c) statement of changes in equity cumulatively for the current financial year to date, with a comparative statement for the comparable year-to-date period of the immediately preceding financial year.
- (d) statement of cash flows cumulatively for the current financial year to date, with a comparative statement for the comparable year-to-date period of the immediately preceding financial year.

Paragraph 23

Referred to in paragraph 85 of the Practice Statement

In deciding how to recognise, measure, classify, or disclose an item for interim financial reporting purposes, materiality shall be assessed in relation to the interim period financial data. In making assessments of materiality, it shall be recognised that interim measurements may rely on estimates to a greater extent than measurements of annual financial data.

Paragraph 25

Referred to in paragraph 85 of the Practice Statement

While judgement is always required in assessing materiality, this Standard bases the recognition and disclosure decision on data for the interim period by itself for reasons of understandability of the interim figures. Thus, for example, unusual items, changes in accounting policies or estimates, and errors are recognised and disclosed on the basis of materiality in relation to interim period data to avoid misleading inferences that might result from non-disclosure. The overriding goal is to ensure that an interim financial report includes all information that is relevant to understanding an entity's financial position and performance during the interim period.

Paragraph 41

Referred to in paragraph 88 of the Practice Statement

The measurement procedures to be followed in an interim financial report shall be designed to ensure that the resulting information is reliable and that all material financial information that is relevant to an understanding of the financial position or performance of the entity is appropriately disclosed. While measurements in both annual and interim financial reports are often based on reasonable estimates, the preparation of interim financial reports generally will require a greater use of estimation methods than annual financial reports.

Commencement of the legislative instrument

For legal purposes, this legislative instrument commences on 31 December 2019.

Appendix Early application

This appendix is an integral part of AASB 2019-1.

This appendix applies only to entities that apply this Standard (and the *Conceptual Framework for Financial Reporting*) to reporting periods beginning before 1 January 2020 but do not also apply the amendments set out in AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*.

The amendments set out in this appendix apply only to periods beginning before 1 January 2020. The amendments apply in addition to the amendments set out in the body of AASB 2019-1. However, the amendments in this appendix to AASB Practice Statement 2 *Making Materiality Judgements* replace the amendments to paragraph 5 and footnote 2 of Practice Statement 2 set out in the body of AASB 2019-1.

Amendments to AASB 101

Paragraph 7 is amended and the footnote to the definition of ‘material’ in paragraph 7 is deleted.

Definitions

...

7 The following terms are used in this Standard within the meanings specified:

...

Material Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence economic decisions of users, and so be material, requires consideration of the characteristics of those users. ~~The Framework for the Preparation and Presentation of Financial Statements states in paragraph 25² that ‘users~~ Users are assumed to have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information with reasonable diligence.² Therefore, the assessment needs to take into account how users with such attributes could reasonably be expected to be influenced in making economic decisions.

² ——— In December 2013 the AASB amended the *Framework for the Preparation and Presentation of Financial Statements*. The *Framework* is identified in AASB 1048 *Interpretation of Standards*. Paragraph 25 was superseded by Chapter 3 of the *Framework*.

Amendments to AASB 108

Paragraph 6 is amended and the footnote to paragraph 6 is deleted.

Definitions

...

6 Assessing whether an omission or misstatement could influence economic decisions of users, and so be material, requires consideration of the characteristics of those users. ~~The Framework for the Preparation and Presentation of Financial Statements states in paragraph 25¹ that ‘users~~ Users are assumed to have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information with reasonable diligence.² Therefore, the assessment needs to take into account how users with such attributes could reasonably be expected to be influenced in making economic decisions.

¹ ——— In December 2013 the AASB amended the *Framework for the Preparation and Presentation of Financial Statements*. The *Framework* is identified in AASB 1048 *Interpretation of Standards*. Paragraph 25 was superseded by Chapter 3 of the *Framework*.

Amendments to AASB Practice Statement 2

Paragraph 5 and footnote 2 to paragraph 5 are amended.

Definition of material

...

5 The ~~*Framework for the Preparation and Presentation of Financial Statements*~~ *Conceptual Framework for Financial Reporting* as identified in AASB 1048 *Interpretation of Standards* (the *Conceptual Framework*) provides the following definition of material information (AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* provide similar definitions¹):

Information is material if omitting it or misstating it could influence decisions that the primary users of general purpose financial reports make on the basis of those reports, which provide financial information about a specific reporting entity. In other words, materiality is an entity-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual entity's financial report.²

1 See paragraph 7 of AASB 101 *Presentation of Financial Statements* and paragraph 5 of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

2 Paragraph QCH 2.11 of the ~~*Framework for the Preparation and Presentation of Financial Statements*~~ *Conceptual Framework for Financial Reporting* (the *Conceptual Framework*). However, the Exposure Draft ED 282 *Definition of Material* proposes to refine the definition of material to '[i]nformation is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of a specific reporting entity's general purpose financial statements make on the basis of those financial statements'. The Definition of Material ED also identifies consequential amendments to other Australian Accounting Standards, including amendments to the definitions of material in the *Conceptual Framework*, AASB 101 and AASB 108.

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, AASB 2019-1.

Introduction

BC1 This Basis for Conclusions summarises the Australian Accounting Standards Board’s considerations in reaching the conclusions in this Standard. It sets out the reasons why the Board developed the Standard, the approach taken to developing the Standard and the key decisions made. In making decisions, individual Board members gave greater weight to some factors than to others.

Reasons for issuing this Standard

BC2 The International Accounting Standards Board (IASB) issued a revised Conceptual Framework titled *Conceptual Framework for Financial Reporting* (the revised Conceptual Framework) in March 2018.

BC3 The Conceptual Framework describes the objective and concepts for general purpose financial reporting under International Financial Reporting Standards (IFRS Standards). Its purpose is to assist standard-setters to develop Standards that are based on consistent concepts, and to help preparers develop consistent accounting policies when no Standard applies to a particular transaction or event, or when a Standard allows a choice of accounting policy. It also assists anyone looking to understand and interpret the Standards.

BC4 Making the IASB’s revised Conceptual Framework applicable in Australia is essential. In accordance with the Financial Reporting Council’s strategic direction to the Board and the Board’s strategic objectives, the Board should:

- (a) maintain compliance with IFRS Standards for publicly accountable entities; and
- (b) use IFRS Standards as a base for determining the reporting requirements for all other entities, modified as appropriate, in accordance with the AASB’s standard-setting frameworks for for-profit and not-for-profit entities.

BC5 Implementation of the revised Conceptual Framework in Australia is challenging due to the so-called ‘reporting entity clash’. This reflects the difference between the definition of a ‘reporting entity’ in the IASB’s revised Conceptual Framework and the current definition in Australian Accounting Standards (including Interpretations). The reporting entity definition in the revised Conceptual Framework determines the boundary of what needs to be reported when an entity is required to report, e.g. consolidation. The current reporting entity definition in Australian Accounting Standards determines whether an entity should prepare general purpose financial statements that comply with Australian Accounting Standards.

BC6 In applying the Board’s normal practice of transaction neutrality based on IFRS Standards, the Board noted that resolving the reporting entity clash required removing the Australian definition of reporting entity. To do this would also remove the ability of an entity to conclude that it is not a reporting entity as currently defined, and so prevent it from preparing special purpose financial statements if it is required to prepare financial statements in accordance with Australian Accounting Standards.

BC7 The Board noted that having two conceptual frameworks in operation at the same time would introduce some complexity to Australian Accounting Standards, and is not desirable for a long period of time. Consequently, to implement the revised Conceptual Framework in the short term, the Board decided to follow a phased approach:

- (a) Phase 1 – implement the revised Conceptual Framework for publicly accountable for-profit private sector entities so that they can maintain compliance with IFRS Standards. The Board noted that there may also be for-profit entities in the public sector that wish to maintain compliance with IFRS Standards. Phase 1 would permit these entities to adopt the revised Conceptual Framework on a voluntary basis; and
- (b) Phase 2 – implement the revised Conceptual Framework for all other entities, and remove the ability for entities to prepare special purpose financial statements when they are required to prepare financial statements in accordance with Australian Accounting Standards.

BC8 The Board expected that implementing the revised Conceptual Framework for publicly accountable for-profit private sector entities would be straightforward as such entities were, in the Board’s view, required by Australian Accounting Standards to prepare Tier 1 general purpose financial statements applying all of the accounting standards. As such the Board did not expect the reporting entity concept to be relevant to them.

- BC9 The phased approach would also provide the Board with more time to develop additional Australian-specific paragraphs for the revised Conceptual Framework in respect of not-for-profit entities in the private and public sectors and for-profit public sector entities, as part of Phase 2.

Issue of ITC 39 Applying the IASB's Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems

- BC10 The Board's proposals were exposed for public comment in May 2018 as part of Invitation to Comment ITC 39 *Consultation Paper – Applying the IASB's Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems*. In developing the proposals in ITC 39, the Board considered the findings of various research projects it had initiated. This included AASB Research Report No. 1 *Application of the Reporting Entity Concept and Lodgement of Special Purpose Financial Statements* (June 2014) and AASB Research Report No. 6 *Financial Reporting Requirements Applicable to Public Sector Entities* (May 2018).
- BC11 ITC 39 considered five alternatives for implementing the revised Conceptual Framework in Australia:
- (a) Option 1 – Adopt a two-phased approach to applying the revised Conceptual Framework. This option would implement the revised Conceptual Framework for for-profit publicly accountable entities and other entities voluntarily claiming compliance with IFRS Standards in Phase 1. It would then implement the revised Conceptual Framework for all other entities in Phase 2. Phase 2 would remove the Australian reporting entity concept and remove the ability of an entity to prepare special purpose financial statements as a non-reporting entity where they are required to comply with Australian Accounting Standards.
 - (b) Option 2 – Operate with two conceptual frameworks. This option would implement the revised Conceptual Framework for publicly accountable for-profit entities and other entities voluntarily reporting compliance with IFRS Standards. It would also retain the *Framework for the Preparation and Presentation of Financial Statements* (the existing Conceptual Framework) for all other entities.
 - (c) Option 3 – Implement the revised Conceptual Framework for all entities when it first becomes applicable to maintain compliance with IFRS Standards and IFRS Standards as a base for Australian Accounting Standards. This option would remove the Australian reporting entity concept and the ability of an entity to prepare special purpose financial statements as a non-reporting entity where they are required to comply with Australian Accounting Standards from 1 January 2020.
 - (d) Option 4 – Retain the existing Conceptual Framework, the Australian reporting entity concept and the ability of an entity to prepare special purpose financial statements as a non-reporting entity where they are required to comply with Australian Accounting Standards. Under this option, compliance with Australian Accounting Standards might not result in compliance with IFRS Standards after 1 January 2020.
 - (e) Option 5 – Implement the revised Conceptual Framework from 1 January 2020 when it first becomes applicable to maintain compliance with IFRS Standards and IFRS Standards as a base for Australian Accounting Standards. Under Option 5, the Australian reporting entity concept would be retained but the name amended and minimum requirements for special purpose financial statements would be prescribed by the Board.
- BC12 The Board considered the benefits of and barriers to each of these options, and supported Option 1 as its preferred approach. Option 1 is the Board's preferred approach because it:
- (a) allows for-profit entities with public accountability and entities that voluntarily report compliance with IFRS Standards to continue to do so;
 - (b) allows all other entities to continue preparing special purpose financial statements in the short term while the Board undertakes consultation and outreach activities and determines the appropriate Tier 2 general purpose financial statements framework to replace special purpose financial statements;
 - (c) maintains IFRS Standards as a base for all entities in the medium term;
 - (d) solves the reporting entity problem in the medium term;
 - (e) solves the special purpose financial statements problem in the medium term;

- (f) allows time for the Board to consult and determine any not-for-profit modifications that may be necessary to the revised Conceptual Framework in accordance with The AASB's Not-for-Profit Entity Standard-Setting Framework; and
 - (g) facilitates comparability and ensures there are appropriate accounting standards for each type of entity required to comply with Australian Accounting Standards.
- BC13 ITC 39 noted the importance of maintaining compliance with IFRS Standards for certain entities in Australia. As Australian Accounting Standards incorporate IFRS Standards, compliance with Australian Accounting Standards (Tier 1) results in compliance with IFRS Standards for for-profit entities. Compliance with Australian Accounting Standards is often required by legislation.
- BC14 When deciding that Phase 1 should be limited to for-profit entities with public accountability, the Board reconfirmed the importance of the definition of public accountability included in *International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs)*. Internationally, entities with public accountability must apply the full IFRS Standards, rather than the *IFRS for SMEs*. Therefore the Board reconfirmed its view that for-profit entities in Australia with public accountability (as defined) should be required to prepare Tier 1 general purpose financial statements. Due to the importance of the *IFRS for SMEs* definition of public accountability, the Board decided that the IASB's amendments to the definition of public accountability should be reflected in the definition included in AASB 1053 *Application of Tiers of Australian Accounting Standards*.

Stakeholder engagement

- BC15 After issuing ITC 39, the Board held targeted outreach with key stakeholders, including State, Territory and national regulators, audit offices, accounting firms, the Australian Securities Exchange (ASX), the Australian Securities and Investments Commission (ASIC), credit rating agencies and professional bodies. The ITC 39 proposals were also presented at various forums, workshops and discussion groups.
- BC16 The Board received feedback on its proposals through 24 formal comment letters on ITC39. The Board also obtained feedback via means such as emails, meetings with constituents and feedback from external presentations. The responses to ITC 39 indicated that:
- (a) on balance, the majority of the respondents were supportive of the proposals in Phase 1 and the need to issue the revised Conceptual Framework in Australia prior to 1 January 2020 so that entities with public accountability could continue to maintain compliance with IFRS Standards;
 - (b) there are a number of entities that may be affected by Phase 1 and the reporting entity clash of which the Board was unaware when developing ITC 39;
 - (c) maintaining two conceptual frameworks was not without its complexities; and
 - (d) mandatory application of the revised Conceptual Framework in Phase 1 should be limited to for-profit private sector entities with public accountability that are required by legislation to prepare financial statements that comply with Australian Accounting Standards.
- BC17 The Board considered these issues as well as a range of other issues identified by constituents in developing this Standard following the ITC 39 exposure process. The significant issues are addressed in the following section.

Public accountability

- BC18 Respondents to ITC 39 identified a number of types of entities that may be affected by Phase 1 as they may have public accountability but currently are preparing special purpose financial statements. Respondents also indicated that additional guidance would be useful to assist them in determining whether an entity meets the definition of 'public accountability'.
- BC19 Due to the importance of the definition of publicly accountability in Australia, the Board decided to amend the definition in AASB 1053 to align with the revised definition per the IFRS for SMEs when the revised Conceptual Framework is issued. The revised definition confirms that an entity has publicly accountability if it has debt or equity instruments that are traded in a public market or it is in the process of issuing such instruments for trading in a public market. An entity also has public accountability if it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses.
- BC20 The Board decided that further guidance on these matters, as well as a number of other aspects of the public accountability definition, should be addressed through a public accountability sub-project. This sub-project will consider, in accordance with The AASB's For-Profit Entity Standard-Setting Framework, whether there should be any changes to the types of entities that are deemed to have public accountability (an Australian decision), whether exemptions from the public accountability definition would be in the Australian public

interest and whether additional guidance should be included to assist in interpreting the public accountability definition in an Australian context.

Significant issues

Scope

Entities that may be affected by Phase 1

BC21 Entities identified by respondents as potentially being affected by Phase 1 included unlisted entities that may be operating in over-the-counter markets (e.g. securitisation trusts), small internally held registered managed investment schemes, certain public sector trust entities, companies raising crowd-sourced equity funding and corporate collective investment vehicles.

Securitisation trusts

BC22 Securitisation trusts are listed, unquoted special purpose vehicles structured through a trust, established to facilitate the issue of asset-backed securities. Securitisation trusts are themselves unlisted, however they issue debt instruments which are listed on the ASX and/or another securities exchange. They have no legislative requirement to prepare financial statements. Their financial reporting obligations are governed by their trust deed and ASX listing rules, and they may be preparing special purpose financial statements if they have determined in accordance with SAC 1 *Definition of the Reporting Entity* that there are no external users dependent on their general purpose financial statements.

BC23 Securitisation trusts undertake over-the-counter (i.e. unquoted) transactions, and while the trustee (a third party) is responsible for maintaining the register of investors, investment is often made via custodian entities, making the ultimate holder of asset-backed securities difficult to identify.

BC24 Respondents to ITC 39 sought clarification regarding whether securitisation trusts were considered to have public accountability. For the Board to determine whether or not securitisation trusts are publicly accountable would require an interpretation of facts and circumstances. Further, the matter would need to be assessed against the principles of the *Interpretations and Improvements Model*. The *Interpretations and Improvements Model* states that issues relating to the interpretation of IFRS Standards would be referred to the International Financial Reporting Interpretations Committee (IFRIC) for its consideration. However, prior to this, the Board needed to assess the issue against specific criteria, the first of which is whether the issue is widespread and has practical relevance. As there were only 126 securitisation trusts listed on the ASX (in August 2018), the issue was not considered widespread and therefore would not meet the requirements of the *Interpretations and Improvements Model*. The Board also noted that its decision to limit the scope of Phase 1 to entities required by legislation to prepare financial statements would mean that these trusts would be considered as part of Phase 2.

Small internally held registered managed investment schemes (MIS)

BC25 Some internal registered MIS are currently preparing special purpose financial statements to satisfy the reporting requirements of the *Corporations Act 2001* as they have determined in accordance with SAC 1 that there are no external users of their financial statements. These internal registered MIS only accept investments from other entities within their group, however they are required to be registered under the *Corporations Act 2001*. Appendix B of AASB 1053 deems registered MIS to have public accountability.

BC26 When the Board developed its approach to differential reporting, registered MIS were deemed to be publicly accountable in the Australian context as a means of clarifying the IASB definition of public accountability. At the time, registered MIS were seen as being the Australian equivalents of mutual funds in other jurisdictions as they were expected to hold assets in a fiduciary capacity for a broad group of outsiders. However, due to the nature of these internal registered MIS, it is possible that they may not have public accountability as defined, as they may not hold assets in a fiduciary capacity for a broad group of outsiders. The question of whether all registered MIS should continue to be deemed to have public accountability will be revisited as part of the public accountability sub-project.

Unlisted trusts maintained by State Governments

BC27 Respondents also identified that some State Governments have established unlisted investment trusts under State legislation to hold investments in various types of assets, such as infrastructure. Some investments are held in partnership or joint venture with external parties, such as superannuation funds. These trusts are for-profit public sector entities. They do not have a legislative requirement to prepare financial statements, with their financial reporting obligations directed by their Trust Deed.

BC28 These trusts are currently preparing special purpose financial statements on the basis that they are not reporting entities. However, as they are holding assets in a fiduciary capacity, they may be considered to have public accountability under the definition in the *IFRS for SMEs*. The Board noted that its decision to

limit the scope of Phase 1 to entities required by legislation to prepare financial statements would mean that these trusts would be considered as part of Phase 2.

Legislation versus constituting documents

- BC29 Respondents to ITC 39 identified some entities that may be affected by the amendments proposed in Phase 1, including trusts that are required by their constitutional document (rather than legislation) to prepare financial statements that comply with Australian Accounting Standards. They do not have any legislative requirement to prepare such financial statements and may be preparing special purpose financial statements. This includes securitisation trusts and certain public sector trusts.
- BC30 The Board noted that while changing constitutional documents is possible, it can be onerous and if not done correctly can have tax consequences. Many trust deeds may have template wording referring to compliance with Australian Accounting Standards without the trustees or the beneficiaries having considered whether this would need to involve the preparation of general purpose financial statements. Based on feedback obtained from targeted outreach activities, these trusts may provide detailed information to their beneficiaries about their financial performance and position on a regular basis.
- BC31 *The AASB's For-Profit Entity Standard-Setting Framework* requires publicly accountable for-profit entities to prepare Tier 1 general purpose financial statements on the basis that these entities would need to state compliance with IFRS Standards. However, entities that do not have any legislative requirement to prepare financial statements and are required only by their constitution or trust deed to comply with Australian Accounting Standards often will not need to confirm compliance with IFRS Standards.
- BC32 *The AASB's For-Profit Entity Standard-Setting Framework* further notes that publicly accountable entities should prepare Tier 1 general purpose financial statements as these types of entities would have a significant impact on the Australian economy and therefore should be subject to the highest level of accountability. However, where entities are required to comply with Australian Accounting Standards only as a result of their constitution or trust deed, and their members have in the past been comfortable with the amount of information provided in the form of special purpose financial statements, the Board did not consider it appropriate to mandate the preparation of Tier 1 general purpose financial statements for such entities as part of Phase 1.
- BC33 Consequently, Phase 1 is intended to allow entities to maintain compliance with IFRS Standards, not to extend requirements for entities to prepare general purpose financial statements if they are not currently required by legislation to prepare financial statements. To ensure that Phase 1 did not unintentionally require such entities to prepare general purpose financial statements, the Board decided to limit Phase 1 to for-profit private sector entities that have public accountability and are required by legislation to comply with Australian Accounting Standards. This ensures the reporting requirements of entities with public accountability that do not have a legislative requirement to prepare financial statements will not be affected by Phase 1. The appropriateness of this limitation will however be reconsidered as part of Phase 2 after further research and outreach. The Board also confirmed that those for-profit entities wanting to voluntarily comply with Tier 1 and IFRS Standards should be permitted to do so, including for-profit entities in the public sector.

Maintaining two conceptual frameworks

- BC34 When deciding how to implement Option 1 for Phase 1, the Board considered the following alternatives:

	Option 1	Option 2	Option 3	Option 4
	Two conceptual frameworks:	One conceptual framework:	Two conceptual frameworks:	One conceptual framework:
Entities applying the revised Conceptual Framework:	1 Revised Conceptual Framework.	1(a) Revised Conceptual Framework.	1 Revised Conceptual Framework.	1(a) Revised Conceptual Framework.
Other entities:	2 Existing Conceptual Framework and SAC 1 ¹ .	1(b) Revised Conceptual Framework minus Chapter 3 ² , which is replaced by	2 Existing Conceptual Framework and SAC 1.	1(b) Revised Conceptual Framework minus Chapter 3, which is replaced by

¹ Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity*

² Chapter 3 Financial Statements and the Reporting Entity

		SAC 1.		SAC 1.
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	Option 1	Option 2	Option 3	Option 4
Consequential amendments:	One set of Australian Accounting Standards that continue to be updated for both for-profit and not-for-profit changes.	One set of Australian Accounting Standards that continue to be updated for both for-profit and not-for-profit changes.	Two sets of Australian Accounting Standards. <ul style="list-style-type: none"> - One set that continues to be updated for for-profit changes. - One set reflecting the requirements in effect immediately prior to the revised Conceptual Framework being issued which are not updated. 	Up to two sets of Australian Accounting Standards.
The reporting entity clash	Addressed in Phase 1, by inserting paragraph AusCF1 into each Australian Accounting Standard that contains the term reporting entity. Paragraph AusCF1 would direct other entities to AASB 1057 ³ (and SAC 1) for the definition of the term reporting entity.	Addressed in Phase 1, by inserting paragraph AusCF1 into each Australian Accounting Standard that contains the term reporting entity. Paragraph AusCF1 would direct other entities to AASB 1057 (and SAC 1) for the definition of the term reporting entity.	Tolerated in Phase 1. That is, unlike in Option 1, it would not be addressed via an AusCF1 paragraph.	Tolerated in Phase 1. That is, unlike in Option 2, it would not be addressed via an AusCF1 paragraph.

BC35 If Option 1 was adopted, it would result in two conceptual frameworks. The revised Conceptual Framework would be applied by for-profit private sector entities that have public accountability and are required by legislation to comply with Australian Accounting Standards. Other for-profit entities could elect to apply the revised Conceptual Framework voluntarily. All other entities would continue to apply the existing Conceptual Framework. To operate two conceptual frameworks with only one set of Australian Accounting Standards (including Interpretations), the basic text of each Australian Accounting Standard would be updated for consistency with the IASB's consequential amendments. The existing, pre-amendment text would also be retained, with the paragraph or footnote given an 'AusCF' prefix. Australian Accounting Standards that do not have an equivalent IFRS Standard and future consequential amendments would be addressed in the same way. To address the reporting entity clash, entities applying the revised Conceptual Framework would no longer apply the reporting entity concept in SAC 1. Instead, these entities would refer to Chapter 3 of the revised Conceptual Framework to determine what the term reporting entity means for them. Entities applying the existing Conceptual Framework would continue referring to the reporting entity definition in AASB 1057 and SAC 1.

BC36 If Option 2 was adopted, it would result in the revised Conceptual Framework being applied either in full or in part by all entities. For-profit private sector entities that have public accountability and are required by legislation to comply with Australian Accounting Standards would adopt the revised Conceptual Framework in full. Other for-profit entities could also elect to do so voluntarily. All other entities would apply the revised Conceptual Framework, except for Chapter 3. Instead, these entities would refer to SAC 1 for the definition of the term reporting entity. This would address the reporting entity clash.

BC37 Option 3 is similar to Option 1 as it would result in two conceptual frameworks, however unlike Option 1, Option 3 would result in two sets of Australian Accounting Standards. One set would be amended for entities adopting the revised Conceptual Framework. The second set would be frozen at the date the revised Conceptual Framework was issued, and would be applied by entities continuing to apply the existing Conceptual Framework. Option 3 would not address the reporting entity clash.

BC38 Option 4 is similar to Option 2, as it would result in a single conceptual framework, however similarly to Option 3, it would result in up to two sets of Australian Accounting Standards. Option 4, like Option 3, would not address the reporting entity clash.

³ AASB 1057 *Application of Australian Accounting Standards*

- BC39 While Option 1 results in there being two conceptual frameworks in operation for a period of time and does not resolve the reporting entity clash in the immediate term, the Board decided that it was the most appropriate Phase 1 approach for the following reasons:
- (a) the application of the two conceptual frameworks is clearly defined and is less likely to cause confusion for constituents;
 - (b) Option 1 would address the reporting entity clash in the medium term;
 - (c) Option 1 would be more straightforward to unwind when implementing Phase 2;
 - (d) the revised Conceptual Framework contains new recognition and measurement requirements for assets, liabilities, income and expenses. Unless an entity is applying the revised Conceptual Framework, it is not required to adopt those revised recognition and measurement requirements until Phase 2 is implemented. That is, for entities applying the existing Conceptual Framework, the existing Conceptual Framework and the related references in Australian Accounting Standards are effectively frozen; and
 - (e) there is no need to consider whether other aspects of the revised Conceptual Framework need to be amended to accommodate retaining SAC 1, which includes the Australian definition of the term reporting entity.
- BC40 While Option 2 would result in a single conceptual framework, and would address the reporting entity clash, the Board decided that Option 2 was more likely to create confusion amongst constituents. This is because under Option 2 it is less clear which elements of the revised Conceptual Framework would apply to certain entities and which would not. Also, other entities would be required to apply the new recognition and measurement requirements in the revised Conceptual Framework in circumstances where an Australian Accounting Standard (or Interpretation) did not address an issue. In addition, extensive work would be required to review all aspects of the revised Conceptual Framework to determine what other changes would be necessary to accommodate retaining SAC 1 and the Australian definition of the term reporting entity.
- BC41 The Board did not consider Option 3 or Option 4 to be viable, as both options would result in two sets of Australian Accounting Standards, which would be complex to manage (for example future compilations) and would present a much greater level of confusion for stakeholders in knowing which set of Australian Accounting Standards they should use. The existence of two sets of Australian Accounting Standards would also be challenging when implementing Phase 2.

Phase 1 approach

- BC42 Implementation of Option 1 in Phase 1 requires identification of all references to the existing Conceptual Framework in each Australian pronouncement and all references to the term reporting entity.
- BC43 Implementation of two conceptual frameworks and one set of Australian Accounting Standards requires all references to the existing Conceptual Framework to be updated as references to the revised Conceptual Framework, with limited exceptions, for those entities applying the revised Conceptual Framework. For all entities that are not applying the revised Conceptual Framework, references to the existing Conceptual Framework need to be retained.
- BC44 The Board determined the most effective way to achieve this required:
- (a) updating the basic text of all Australian Accounting Standards to reflect the IASB's amendments consequential to the revised Conceptual Framework, that is, all references to the existing Conceptual Framework were replaced with a reference to the revised Conceptual Framework, with limited exceptions. The basic text of all Australian Accounting Standards applies to entities applying the revised Conceptual Framework. This ensures that compliance with Australian Accounting Standards (Tier 1) by these entities continues to result in compliance with IFRS Standards;
 - (b) adding an AusCF paragraph or footnote in each Australian Accounting Standard that was updated per paragraph (a). The AusCF paragraph or footnote retained the same number, but was given an AusCF prefix. AusCF paragraphs retained the references to the existing Conceptual Framework and are applicable only to entities applying the existing Conceptual Framework; and
 - (c) inserting an AusCF1 paragraph into each Australian Accounting Standard that contained a reference to the existing Conceptual Framework or contained the term 'reporting entity'. Two versions of paragraph AusCF1 were used:
 - (i) one version states that the requirements of the AusCF paragraphs and footnotes added to the Standard apply only to those entities that are applying the existing Conceptual Framework. It also directs entities applying the existing Conceptual Framework to AASB 1057 and SAC 1 for the definition of the term 'reporting entity'; and

- (ii) a second version is used where no other AusCF paragraphs or footnotes were added to the Standard but the Standard contains the term 'reporting entity'. This version merely directs entities applying the existing Conceptual Framework to AASB 1057 and SAC 1 for the definition of the term 'reporting entity'.

BC45 To maintain IFRS compliance, there are some instances where it is not necessary or not appropriate to update a reference to the existing Conceptual Framework to a reference to the revised Conceptual Framework (these references were not updated in the consequential amendments made by the IASB to IFRS Standards). These include:

- (a) references to the existing Conceptual Framework in AASB 3 *Business Combinations* (paragraph 11), AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* (paragraph 54G) in relation to developing accounting policies for regulatory balances, AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* (paragraph 10) and AASB 138 *Intangible Assets* (paragraph 8) continue to use the definition of a liability and an asset contained in the existing Conceptual Framework;
- (b) an existing Conceptual Framework reference that presents the definition of an asset, liability, income or expense in its requirements, so that updating the reference may potentially change the accounting consequences of the Australian Accounting Standard. In these cases, the Australian Accounting Standard will continue to refer to the existing Conceptual Framework for the relevant definition; and
- (c) references to the existing Conceptual Framework in Interpretations, which the IASB amended to refer to the Conceptual Framework in effect when the Interpretation was developed. Consequently, the Board also amended the references to the existing Conceptual Framework in its Australian Interpretations to refer to the Conceptual Framework in effect when the Interpretation was developed.

References to the existing Conceptual Framework that are historical (ie fixed in time) rather than required to update automatically for subsequent versions of the Conceptual Framework do not include the reference to identification in accordance with AASB 1048 *Interpretation of Standards*. Such a reference to AASB 1048 would automatically update the reference to the Conceptual Framework when a new version of the Conceptual Framework is listed in AASB 1048. Most references to the existing and revised Conceptual Frameworks therefore include the AASB 1048 reference.

BC46 Existing Conceptual Framework references contained in requirements specific to not-for-profit entities were also not updated. Although amendments will be made to the revised Conceptual Framework for not-for-profit entities in due course, they have not yet been considered as the adoption of the revised Conceptual Framework in Phase 1 is limited to for-profit entities.

BC47 Based on feedback received on ITC 39, the Board noted that AASB 1053 paragraph 11 regarding the application of Tier 1 reporting requirements is not operating as intended to require entities with public accountability to prepare general purpose financial statements. The Board determined that the amended requirement would be limited to those entities scoped into Phase 1 to avoid unintended consequences.

Public sector entities

BC48 The definition of public accountability in *IFRS for SMEs* was developed by the IASB for for-profit private sector entities. When discussing AASB 1053, the Board considered whether the definition of public accountability should also be applied to public sector entities. However, the Board decided against this for the following reasons:

The Board concluded that, consistent with the role of other regulators under the revised differential reporting framework (see paragraphs BC40-BC41), the determination of the Tiers of reporting requirements under which for-profit public sector entities should report would best be left to relevant public sector regulators in each jurisdiction. (AASB 1053, paragraph BC38).

The Board did not consider that there was any reason to revisit this decision.

BC49 When discussing the application of Phase 1 of ITC 39 to entities in the public sector, the Board did not intend to force any for-profit public sector entity to adopt the revised Conceptual Framework for periods beginning on or after 1 January 2020. The Phase 1 amendments are intended to allow for-profit public sector entities to apply the revised Conceptual Framework and continue stating compliance with IFRS Standards where they elect to do so.

BC50 For these reasons, the Board decided that Phase 1 should also apply to for-profit public sector entities that elect to apply the revised Conceptual Framework, in addition to for-profit private sector entities that have public accountability and are required by legislation to comply with Australian Accounting Standards.

- BC51 The Board decided that it would pursue financial reporting reform in the public sector via consultation based on the AASB Discussion Paper *Improving Financial Reporting for Australian Public Sector*, which was issued in June 2018.

Further consultation

- BC52 In December 2017 and February, September and November 2018, the Board considered issues papers and drafts of the Standard which were published as Board agenda papers for the public. This gave stakeholders the opportunity to follow the project and to comment on the issues contemporaneously.
- BC53 At its meeting in November 2018, the Board decided to finalise its decisions to address the issues raised by stakeholders. Whilst the substance of the Board's decisions is consistent with the proposals in ITC 39, the Board decided that the new approach to highlighting which entities apply which conceptual framework and to the scope restrictions warranted the issue of a limited-scope consultative document presenting the proposed consequential amendments to Australian Accounting Standards (including Interpretations) and other pronouncements. A fatal-flaw review version of the proposed amending Standard was issued for comment in January 2019.
- BC54 The Board received four submissions on the fatal-flaw review version. The responses in general supported the issue of the amending Standard to finalise the Phase 1 consequential amendments alongside the issue of the revised Conceptual Framework, although one respondent preferred that two conceptual frameworks were both on issue for only a limited period of time and one preferred only one conceptual framework to be on issue. Some of the submissions raised matters of detail regarding the consequential amendments, which were addressed in finalising the amending Standard.