

# **Explanatory Statement**

## **Accounting Standard AASB 2024-3** *Amendments to Australian Accounting Standards –* *Annual Improvements Volume 11*

**September 2024**



**Australian Government**

**Australian Accounting  
Standards Board**

# EXPLANATORY STATEMENT

## Standards Amended by AASB 2024-3

This Standard makes amendments to the following Australian Accounting Standards:

- (a) AASB 1 *First-time Adoption of Australian Accounting Standards* (July 2015);
- (b) AASB 7 *Financial Instruments: Disclosures* (August 2015);
- (c) AASB 9 *Financial Instruments* (December 2014);
- (d) AASB 10 *Consolidated Financial Statements* (July 2015); and
- (e) AASB 107 *Statement of Cash Flows* (August 2015).

These amendments arise from the issuance of International Financial Reporting Standard *Annual Improvements to IFRS Accounting Standards – Volume 11* by the International Accounting Standards Board (IASB) in July 2024.

## Main Features of AASB 2024-3

This Standard amends:

- (a) AASB 1 to improve consistency between paragraphs B5–B6 of AASB 1 and the requirements for hedge accounting in AASB 9 and improve the understandability of AASB 1;
- (b) AASB 7 to:
  - (i) replace a cross-reference in paragraph B38 of AASB 7 to a deleted AASB 7 paragraph with a reference to AASB 13 *Fair Value Measurement*; and
  - (ii) improve consistency in the language used in AASB 7 with the language used in AASB 13;
- (c) AASB 9 to:
  - (i) clarify how a lessee accounts for the derecognition of a lease liability when it is extinguished; and
  - (ii) address an inconsistency between paragraph 5.1.3 of AASB 9 and the requirements in AASB 15 *Revenue from Contracts with Customers* in relation to the term ‘transaction price’;
- (d) AASB 10 to amend paragraph B74 in relation to determining de facto agents of an entity; and
- (e) AASB 107 to replace the term ‘cost method’ with ‘at cost’ as the term is no longer defined in Australian Accounting Standards.

## Application Date

This Standard applies to annual periods beginning on or after 1 January 2026. Earlier application of the amendments to individual Standards is permitted.

## Marked-up Text

This Standard incorporates marked-up text to clearly identify some of the amendments made to AASB 1, AASB 7, AASB 9, AASB 10 and AASB 107. All amendments are incorporated using clean text into the compilations of the pronouncements when they are prepared, based on the legal commencement date of the amendments.

## Consultation Prior to Issuing this Standard

The AASB issued Exposure Draft ED 326 *Annual Improvements to Australian Accounting Standards – Volume 11* in September 2023, with comments due by 7 November 2023. ED 326 incorporated IASB Exposure Draft IASB/AI/ED/2023/1 *Annual Improvements to IFRS Accounting Standards – Volume 11*.

No submissions were received and the AASB did not make a submission to the IASB.

The IASB analysed the feedback it received on the proposed amendments and decided to finalise the amendments. The IASB set an effective date for each set of amendments of annual periods beginning on or after 1 January 2026 and permitted earlier application of the amendments to individual Standards.

The AASB considered and adopted the amendments made by the IASB in finalising AASB 2024-3. Consistent with the IASB, the AASB set an application date of annual periods beginning on or after 1 January 2026. Earlier application of the amendments to individual Standards is permitted.

A Policy Impact Analysis has not been prepared in connection with the issue of AASB 2024-3 as the amendments made do not have a substantial direct or indirect impact on business or competition.

## **Legislative Features of Accounting Standards**

### **Power to Make Amendments**

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

### **References to Other AASB Standards**

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

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### **Exemption from Sunsetting**

Accounting Standards promulgated by the AASB that are legislative instruments are exempt from the sunsetting provisions of the *Legislation Act 2003* through section 12 of the *Legislation (Exemptions and Other Matters) Regulation 2015* (Item 18(a)).

The AASB's Australian Accounting Standards incorporate Standards set by the International Accounting Standards Board in respect of publicly accountable for-profit entities. The AASB's Accounting Standards are exempt from sunsetting because a more stringent review process than sunsetting applies to the Standards. This review process ensures Australia's Accounting Standards regime remains consistent with international Standards. Typically, the AASB Standards are revised at least once within a ten-year period, with most of the Standards subject to much more frequent revisions. Each revision follows the stringent review process (which includes the opportunity for public comment) in order to remain consistent with international Standards. It is very unlikely that any AASB Standard would not have been amended (or else considered for amendment) within a ten-year period through these review processes. Therefore, if it applied, a ten-year sunsetting regime would have very limited practical application to AASB Standards. Parliamentary oversight is retained whenever a Standard is replaced or amended since the Standards are disallowable instruments and subject to the normal tabling and scrutiny process as required by the *Legislation Act 2003*.

# Statement of Compatibility with Human Rights

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

## Accounting Standard AASB 2024-3 *Amendments to Australian Accounting Standards – Annual Improvements Volume 11*

### Overview of the Accounting Standard

This Standard amends:

- (a) AASB 1 *First-time Adoption of Australian Accounting Standards* (July 2015) to improve consistency between paragraphs B5–B6 of AASB 1 and the requirements for hedge accounting in AASB 9 and improve the understandability of AASB 1;
- (b) AASB 7 *Financial Instruments: Disclosures* (August 2015) to:
  - (i) replace a cross-reference in paragraph B38 of AASB 7 to a deleted AASB 7 paragraph with a reference to AASB 13 *Fair Value Measurement*; and
  - (ii) improve consistency in the language used in AASB 7 with the language used in AASB 13;
- (c) AASB 9 *Financial Instruments* (December 2014) to:
  - (i) clarify how a lessee accounts for the derecognition of a lease liability when it is extinguished; and
  - (ii) address an inconsistency between paragraph 5.1.3 of AASB 9 and the requirements in AASB 15 *Revenue from Contracts with Customers* in relation to the term ‘transaction price’;
- (d) AASB 10 *Consolidated Financial Statements* (July 2015) to amend paragraph B74 in relation to determining de facto agents of an entity; and
- (e) AASB 107 *Statement of Cash Flows* (August 2015) to replace the term ‘cost method’ with ‘at cost’ as the term is no longer defined in Australian Accounting Standards.

### Human Rights Implications

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

### Conclusion

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