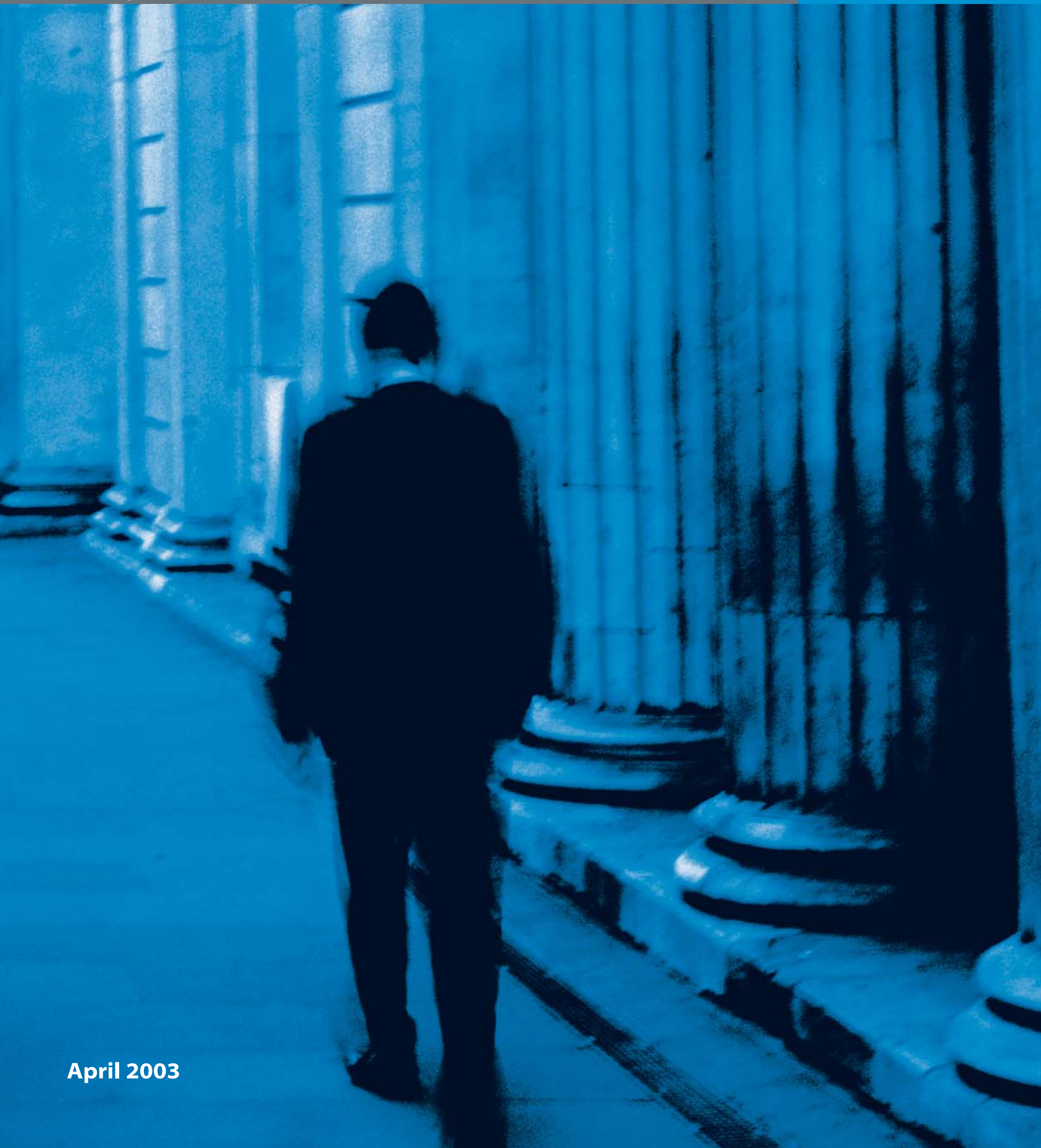
Deloitte Touche Tohmatsu

ASSURANCE & ADVISORY

Summary of Australian Accounting Requirements



April 2003

Our culture – our essence

Culture at Deloitte does not just happen – we work at it.

It's the sum total of the actions of our people, it's the way we treat others – it's the way we behave.

Our seven Signals embody these values. Our passion for teamwork and exceptional client service is our point of difference.

At Deloitte, we live and breathe our culture.

Deloitte Touche Tohmatsu is one of the world's leading professional services organisations. The member firms of Deloitte Touche Tohmatsu deliver world-class assurance and advisory, tax, and consulting services. With more than 119,000 people in over 140 countries, the member firms serve over one-half of the world's largest companies, as well as large national enterprises, public institutions, and successful, fast growing global growth companies.

Our internationally experienced professionals strive to deliver seamless, consistent services wherever our clients operate. Our mission is to help our clients and our people excel.

Deloitte's Australian practice had a net revenue of $573 million in the year ending 2002.

Awards & achievements – Australian practice

Offices that form the Australian practice are: Adelaide, Alice Springs, Brisbane, Canberra, Darwin, Hobart, Katherine, Launceston, Melbourne, Parramatta, Perth, Sydney, with Kimbe, Lae, Madane & Port Moresby in Papua New Guinea (known as **Deloitte Touche Tohmatsu**), Hong Kong, Kuala Lumpur, Manila, Seoul, Shanghai, Singapore, Taipei (known as **Trowbridge Deloitte**) Tokyo (known as **Deloitte Tohmatsu AICG**).

- 21 offices around Australia & Asia with 250 partners and a team of over 2160
- voted #1 in Euromoney's 'World's Leading Tax Advisers' guide (2002)
- ranked #2 overall in the 2002 International Tax Review survey
- ranked #2 in annual list of 'Top 100 accounting firms', by BRW (2002)
- top tier accounting and business consulting recruitment firm, Professional Recruitment Profiles (2002)
- 'Employer of Choice for Women' citation for 2002 (and 2001) by the EOWA (Equal Opportunity for Women in the Workplace Agency) Business Achievement Awards.

Summary of Australian Accounting Requirements

Contents

Page

Part One – Differential Reporting....5

Part Two – Corporations Act 2001 13

Part Three – Accounting Standards Issued By The AASB....22

Part Four – Australian Accounting Standards (AAS) 84

Part Five – Urgent Issues Group Consensus Views 91

Part Six – Statements of Accounting Concepts 120

Part Seven – Accounting Exposure Drafts 124

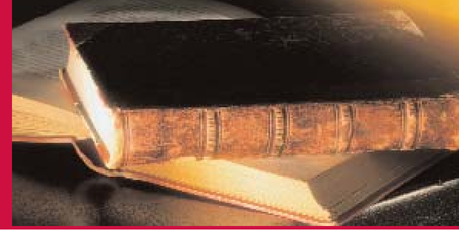
Part Eight – Accounting Guidance Releases 125

Part Nine – ASIC Class Orders....127

Part Ten – ASIC Practice Notes 129

Part Eleven – ASX Listing Rules....130

Part Twelve – International Accounting Standards 132



Part 1 – Differential reporting

The reporting entity concept

The reporting entity concept was adopted by the accounting profession in June 1992 in an attempt to reduce the reporting requirements imposed on certain entities by the application of Accounting Standards. Under this concept, "reporting entities" are required to prepare a financial report in compliance with all Accounting Standards and Urgent Issues Group Consensus Views (referred to as general purpose financial reports (GPFRs)). "Non-reporting entities", however, have the option to prepare special purpose financial reports (SPFRs) in compliance with those Accounting Standards and Urgent Issues Group Consensus Views considered necessary to enable the financial reports to meet the special purpose needs of the users.

Identification of reporting entities

A "reporting entity" means an entity in respect of which it is reasonable to expect the existence of users dependent on GPFRs for information which will be useful to them for making and evaluating decisions about the allocation of scarce resources. The classification of an entity as a reporting entity is linked to the information needs of the users. In most instances it will be readily apparent whether users dependent upon GPFRs exist.

Examples of entities which will always be reporting entities are:

- listed corporations;
- listed trusts;
- other trusts which raise funds from the public;
- government-controlled business undertakings;
- government departments;
- Federal, State and Territorial governments;
- local governments; and
- a company which is not a controlled entity of a holding company incorporated in Australia and which is a controlled entity of a foreign company where that foreign company has its securities listed for quotation on a stock market or those securities are traded on the stock market.

Examples of entities which are often not reporting entities are:

- privately-owned trusts;
- partnerships;
- sole traders; and
- wholly-owned controlled entities of Australian reporting entities.

For more information on the reporting entity concept and GPFRs, refer to the following Statements issued by the Australian accounting bodies, or contact your nearest Deloitte Touche Tohmatsu office:

- Miscellaneous Practice Statement APS 1 "Conformity with Accounting Standards and UIG Consensus Views";
- Statement of Accounting Concepts SAC 1 "Definition of the Reporting Entity";
- Statement of Accounting Concepts SAC 2 "Objective of General Purpose Financial Reporting"; and
- Statement of Accounting Concepts SAC 3 "Qualitative Characteristics of Financial Information"

In an information release issued in July 2000, the Australian Securities and Investments Commission (ASIC) stated that it believed the existence of a significant number of creditors and/or employees may indicate that users exist who cannot command the preparation of reports tailored so as to satisfy specifically all of their information needs, and therefore that the company is a reporting entity. ASIC indicated that it will look closely at cases where companies are treated as non-reporting entities, and will seek explanations from directors where it appears reasonable to expect that there may be users dependant on GPFRs.

Preparing SPFRs under the Corporations Act 2001

General

SPFRs prepared for a financial year must include:

- financial statements for the period, comprising a statement of financial performance, statement of financial position and statement of cash flows;
- notes to the financial statements, as required by the Corporations Regulations 2001 and Accounting Standards; and
- a directors' declaration.

APS 1 "Conformity with Accounting Standards and UIG Consensus Views" paragraph 20, indicates that members of the Australian accounting bodies who are involved in, or are responsible for, the preparation, presentation or audit of a SPFR (except where it is reasonable to expect that the SPFR will be used solely for internal purposes, for example monthly management accounts) are to take all reasonable steps within their power to ensure that the SPFR and any audit report or accountant's statement states:

- that it is a SPFR;
- the special purpose for which the SPFR has been prepared; and
- the extent to which Accounting Standards and UIG Consensus Views have, or have not, been adopted in its preparation and presentation.

Minimum compliance requirements

The following Accounting Standards and UIG Consensus Views apply to all companies required to comply with Chapter 2M of the Corporations Act 2001, irrespective of whether they are reporting entities or not:

- AASB 1018 "Statement of Financial Performance";
- AASB 1034 "Financial Report Presentation and Disclosures";
- AASB 1040 "Statement of Financial Position"; and
- UIG Abstract 35 "Disclosure of Contingent Liabilities".

Statement of Cash Flows

A statement of cash flows is required to be included in a SPFR prepared in accordance with Chapter 2M of the Corporations Act 2001. In accordance with the reporting entity concept, the disclosure requirements of Accounting Standard AASB 1026 "Statements of Cash Flows", including the notes to the statement of cash flows, need only be complied with to the extent necessary to meet the information needs of the special purpose users, preparers of the SPFR must ensure that the statement of cash flows includes a sufficient level of detail to present a true and fair view of the performance of the entity. The ASIC has expressed the view in ASIC-PN 68 that a statement of cash flows should be presented in the AASB 1026 format. However, the SPFR may exclude some of the detailed disclosure requirements of AASB 1026, for example the requirements concerning:

- non-cash transactions;
- credit standby arrangements and used and unused loan facilities; and
- acquisitions and disposals of entities, if consolidated financial statements are not prepared.

Where an entity has no cash flows during the current and preceding reporting period, the entity should still includes a statement of cash flows in its financial report in order to comply with Chapter 2M of the Corporations Act 2001. The statement of cash flows in this instance would disclose nil balances for each class of cash flow (that is, net cash flows from operating, investing and financing activities).

Recognition and Measurement Requirements

In its July 2000 information release, the ASIC noted that the Accounting Standards provide a framework for determining a consistent definition of "financial position" and "profit or loss". Without such a framework the figures in financial statements would lose their meaning. Financial reports prepared under the Corporations Act 2001 must be prepared within the framework of Accounting Standards to ensure that the following requirements of the Corporations Act 2001 are met:

- the financial report gives a true and fair view (s.297);
- the financial report does not contain false or misleading information (s.1308); and
- dividends are only paid out of profits (s.254T).

Therefore the recognition and measurement requirements of all Accounting Standards must be applied in order to determine profit or loss and financial position. The recognition and measurement requirements of Accounting Standards include requirements relating to depreciation of non-current assets, amortisation of goodwill, tax-effect accounting, lease accounting, measurement of inventories, recognition and measurement of liabilities for employee benefits. In addition, those Accounting Standards which deal with the classification of items must be applied, for example the provisions of AASB 1033 "Presentation and Disclosure of Financial Instruments" concerning the classification of financial instruments as debt or equity.

Disclosing Entities

The Corporate Law Reform Act 1994 introduced enhanced disclosure requirements for disclosing entities, which include:

- listed entities and listed registered schemes;
- entities and registered schemes which raise funds pursuant to a prospectus;
- entities and registered schemes which offer securities other than debentures as consideration for an acquisition of shares in a target company under a takeover scheme; and
- entities whose securities are issued under a compromise or scheme of arrangement.

The following entities are exempt, from the enhanced disclosure requirements of the Corporations Act 2001:

- a public authority of a State or Territory or an instrumentality or agency of the Crown in right of a State or Territory;
- a public authority of the Commonwealth or an instrumentality or agency of the Crown in right of the Commonwealth, the relevant traded debt securities of which are guaranteed by the Government of the Commonwealth; and
- an entity exempted by the Regulations or the ASIC.

Disclosing entities are required, inter alia, to comply with:

1. The continuous disclosure requirements, which include:
   - a requirement to provide information which, if generally available, would be likely to have a material effect on the price or value of the entity's securities. Listed disclosing entities must immediately make such disclosure to the ASX, while unlisted disclosing entities must make such disclosure to the ASIC as soon as practicable; and
   - a requirement to give the ASX the information needed to correct or prevent a false market in an entity's securities where the ASX considers that there is or is likely to be a false market and asks the entity to give it information to correct or prevent a false market.
2. The half-year reporting requirements, which include a requirement to prepare a half-year financial report, including:
   - directors' report and directors' declaration, in accordance with Part 2M.3 of the Corporations Act 2001; and
   - half-year financial statements, in accordance with AASB 1029 "Interim Financial Reporting".

The half-year financial report must be lodged with the ASIC (or the ASX for listed disclosing entities) within 75 days of the half-year end. However, the ASX recently revised its Listing Rules, including those relating to reporting deadlines for half-year financial reports of listed disclosing entities. The revised ASX Listing Rules relating to half-year reporting deadlines will be operative for half-years ending on or after 30 June 2003 and requires entities to lodge their half-year report with the ASX within two months of the half-year end. A summary of the revised reporting deadlines are provided on page 20. The half-year report, prepared in accordance with AASB 1029 must be lodged together with the information required by the newly developed Appendix 4D to the Listing Rules.

3 The annual reporting requirements, which require disclosing entities to prepare a financial report for the financial year in accordance with Part 2M.3 of the Corporations Act 2001. The annual financial report must be lodged with the ASIC (or the ASX for listed disclosing entities) within 3 months of the financial year end.

   The annual financial report of disclosing entities that are not companies must be prepared in accordance with AASB accounting standards. This requirement applies to financial years commencing on or after 1 July 1994 through the application of AASB 1030 "Application of Accounting Standards to Financial Year Accounts and Consolidated Accounts of Disclosing Entities Other than Companies".

Large Proprietary Companies

Preparation of Financial Reports

Large proprietary companies (as defined below) are required to prepare a financial report in accordance with Part 2M.3 of the Corporations Act 2001 and have the financial report audited.

Definition

A proprietary company is a large proprietary company for a financial year if it satisfies at least 2 of the following conditions:

a the consolidated gross operating revenue for the financial year of the company and the entities it controls (if any) is $10 million or more;

b the value of the consolidated gross assets at the end of the financial year of the company and the entities it controls (if any) is $5 million or more; or

c the company and the entities it controls (if any) have 50 or more employees at the end of the financial year.

Section 45A of the Corporations Act 2001 requires that when counting employees, part-time employees be taken into account as an appropriate fraction of a full-time equivalent. Consolidated gross operating revenue and the value of consolidated gross assets are to be calculated in accordance with the basis of accounting specified by accounting standards in force at the relevant time.

Lodgement Relief

In accordance with the former s.319(4) of the Corporations Law which continues to apply in accordance with s.1408(6) of the Corporations Act 2001, (ie. the "Grandfather Clause") large proprietary companies that were classified as "exempt proprietary companies" as at 30 June 1994 and continue to meet the definition of "exempt proprietary company" at all times subsequent to 30 June 1994 are relieved from the requirement to lodge a financial report with the ASIC, provided certain conditions are satisfied.

ASIC Class Order 98/0099 (dated 10 July 1998), provides similar lodgement relief to large proprietary companies in which an ownership interest is held by a foreign company, provided the ownership interest does not constitute control and certain other conditions are satisfied. To take advantage of this relief, the directors of the large proprietary company must lodge with the ASIC, within 4 months after the end of the first financial year that ends after 24 April 1997, notification of their intention to adopt the ASIC Class Order.

Audit Relief

ASIC Class Order 98/1417 (dated 13 August 1998) relieves large proprietary companies that were not audited for a financial year ending during 1993, or in any later financial year, from the audit requirements of the Corporations Act 2001 provided certain conditions are satisfied.

The relief does not apply to large proprietary companies that are:

- large "grandfathered" proprietary companies under the former s.319(4) of the Corporations Law;
- disclosing entities;
- borrowers in relation to debentures;
- guarantors of borrowers in relation to debentures; or
- a licensed securities dealer or a futures broker.

The Class Order relieves large proprietary companies from the audit requirements of the Corporations Act 2001 for any financial year ending on or after 1 July 1998 (defined as the "Relevant Financial Year") provided certain conditions are satisfied.

To qualify for audit relief the following conditions must be satisfied:

- during the period of three months before the commencement of the Relevant Financial Year and ending one month after the commencement of the financial year, all directors and all shareholders must resolve that an audit is not required and formal notification of the resolution must be lodged with the ASIC (using Form 382);
- written notice that an audit is required has not been received;
- the directors' declaration for each financial year ending on or after 1 July 1998 must include an unqualified statement that there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- the company must have procedures which enable all the directors to assess whether the company is able to pay its debt as and when they fall due;
- management accounts, incorporating a statement of financial performance, statement of financial position and statement of cash flows, must be prepared on at least a quarterly basis within one month after the end of the relevant quarter;
- total liabilities must not exceed 70% of total tangible assets (determined in accordance with the basis of accounting specified by Accounting Standards and UIG Consensus Views, except that liabilities may exclude Approved Subordinated Debt);
- the company, and economic entity where consolidated financial statements are required under the Corporations Act 2001, must have made a profit from ordinary activities after related income tax expense for the Relevant Financial Year or the financial year preceding the Relevant Financial Year;
- where the company is party to a deed of cross guarantee for the purposes of relief to its wholly-owned controlled entities under ASIC Class Order 98/1418 the previous two conditions must also be satisfied for the closed group and those entities which are parties to the deed of cross guarantee; and
- the year end financial statements must be prepared by a prescribed accountant (which may be an employee of the company) in accordance with Miscellaneous Professional Statement APS 9 "Statement on Compilation of Financial Reports" and must be accompanied by a compilation report prepared in accordance with APS 9.

In addition, the company must comply with the following requirements:

- where a shareholder requests a copy of the management accounts or a directors' resolution regarding the above items, the company must make these available to the shareholder;
- the company must lodge its financial report and directors' report with the ASIC in accordance with the requirements of the Corporations Act 2001; and
- the directors' report must include a statement that the financial statements have not been audited, in reliance on this Class Order, and that the requirements of this Class Order have been complied with.

Small Proprietary Companies

Preparation of Financial Reports

A small proprietary company (as defined below) is not required to prepare a financial report under Chapter 2M.3 of the Corporations Act 2001 unless:

- the small proprietary company is controlled by a foreign company (for all or part of the year) and the results of the small proprietary company for the year (or part thereof, if control existed for only part of the year) are not covered by consolidated financial statements lodged with the ASIC by the registered foreign company or by an intermediate Australian holding company;
- 5% or more of the shareholders request that a financial report be prepared; or
- the ASIC requests that a financial report be prepared.

If 5% or more of the shareholders request that a financial report be prepared, a directors' report need not be prepared and the financial report need not be prepared in accordance with Accounting Standards if the shareholders' request specifies that a directors' report is not required and that Accounting Standards need not be complied with. In addition, the financial report need only be audited if the shareholders' request asks for the financial report to be audited.

If the ASIC request that a financial report be prepared, the financial report is to be prepared in accordance with the request (ie. the request may or may not require that the financial report be prepared in accordance with Accounting Standards or be subject to an audit).

Definition

A proprietary company is a small proprietary company for a financial year if it satisfies at least 2 of the following conditions:

a the consolidated gross operating revenue for the financial year of the company and the entities it controls (if any) is less than $10 million;

b the value of the consolidated gross assets at the end of the financial year of the company and the entities it controls (if any) is less than $5 million; or

c the company and the entities it controls (if any) have fewer than 50 employees at the end of the financial year.

Section 45A of the Corporations Act 2001 requires that when counting employees, part-time employees be taken into account as an appropriate fraction of a full-time equivalent. Consolidated gross operating revenue and the value of consolidated gross assets are to be calculated in accordance with the basis of accounting specified by accounting standards in force at the relevant time.

Relief for Foreign Controlled Small Proprietaries Companies

Financial Report Preparation, Audit and Lodgement Relief

ASIC Class Order 98/0098 (dated 10 July 1998) provides relief to foreign controlled small proprietary companies that are not part of a "large group" from the requirement to prepare, audit and lodge a financial report under Part 2M.3 of the Corporations Act 2001 (other than as required by a shareholders' request or an ASIC request) provided certain conditions are satisfied.

A "group" is a "large group" when, on a combined basis, the "group" satisfies at least 2 of the following conditions for the financial year of the company in question:

- the combined gross operating revenue of the group for the financial year is $10 million or more;
- the combined value of the gross assets of the group at the end of the financial year is $5 million or more;
- the group has 50 or more employees at the end of the financial year.

Where "group" is defined to comprise:

- the company in question;
- any entity which controlled the company and which was incorporated or formed in Australia, or carries on business in Australia;
- any other entities ("the other entities") controlled by any foreign company which controls the company in question, which are incorporated or formed in Australia or carry on business in Australia; and
- any entities which are controlled by the company in question or the other entities (these entities can be Australian or foreign entities).

Combining financial statements is a process similar to consolidation except that it only includes the entities which fall within the definition of "group".

To take advantage of this relief, the directors must resolve to adopt the ASIC Class Order and lodge formal notification with the ASIC *(using Form 384)* prior to the commencement of each financial year.

Audit Relief

ASIC Class Order 98/1417 provides relief to foreign controlled small proprietary companies, that were not audited in 1993 or any subsequent financial year except for a financial year which ended after 9 December 1995 and before 24 April 1997, from the audit requirements of the Corporations Act 2001 provided certain conditions are satisfied. The Class Order relieves foreign controlled small proprietary companies from the audit requirements of the Corporations Act 2001 for any financial year ending on or after 1 July 1998 (defined as the "Relevant Financial Year") provided certain conditions are satisfied, refer large proprietary companies – audit relief.

Wholly-Owned Subsidiaries

Directors' Report

All wholly-owned subsidiaries of companies incorporated in Australia need not include the information required by s.300(10) of the Corporations Act 2001 in the directors report.

Financial Report Preparation, Lodgement and Audit Relief

ASIC Class Order 98/1418 (dated 13 August 1998) exempts wholly-owned subsidiaries from the requirement to prepare a financial report, where their parent entity prepares consolidated financial statements. The relief extends to the auditors' and directors' report, and to the distribution and lodgement of the financial report.

The relief is only available where:

a the holding entity of the company has a financial year which ends on the same date as the financial year of the company;

b the company is a public company, large proprietary company or a foreign controlled small proprietary company to which s.292(2)(b) applies;

c the company is not a borrower in relation to debentures, disclosing entity, licensed securities dealer or a futures broker;

d the holding entity of the company is not a small proprietary company;

e the company and every other entity (if any) in the closed group is party to a deed of cross guarantee, an original of which has been lodged with the ASIC, which is valid at the balance date and the holding entity's deadline;

f in relation to the last 3 financial years before taking advantage of the relief and since taking advantage of the relief, the entity and the auditor of the entity have substantially satisfied all of their statutory obligations in relation to Chapter 2M and 2N of the Corporations Act 2001 (previously Parts 3.6 and 3.7 of the Corporations Law);

g the directors, of the company and each other entity that is a party to the deed of cross guarantee, sign and lodge with the ASIC a statement, that immediately prior to the execution of the deed of cross guarantee, there were reasonable grounds to believe that each entity would be able to pay its debts as and when they fall due;

h the directors of the company have resolved that the company should obtain the benefit of this Class Order;

i the company has provided the ASIC with evidence that the company is entitled to the benefit of this Class Order (or a previous Class Order); and

j the company has paid the necessary fee to the ASIC.

The main conditions of the Class Order are:

a the parent entity prepares consolidated financial statements which include additional information in relation to the deed of cross guarantee and depending on the entities consolidated, include in a note to the financial statements a detailed statement of financial position and statement of financial performance, opening and closing retained profits, dividends provided for or paid, and transfers to and from reserves, of certain groups of entities in or out of the closed group;

b the directors of the holding entity sign and lodge a statement, within 4 months of year end, that there are reasonable grounds to believe that the extended closed group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee. This condition is usually satisfied by including the statement in the directors' declaration of the holding entity's financial report; and

c the directors sign and lodge a notice, within 4 months of year end, containing *(using Form 389):*

  i a statement that the directors have taken advantage of the relief under this Class Order;

  ii a short statement of the nature of the deed of cross guarantee;

  iii a list of the holding entity and the parties to the deed of cross guarantee, separately identifying the members of the wholly-owned group and the other members of the extended closed group;

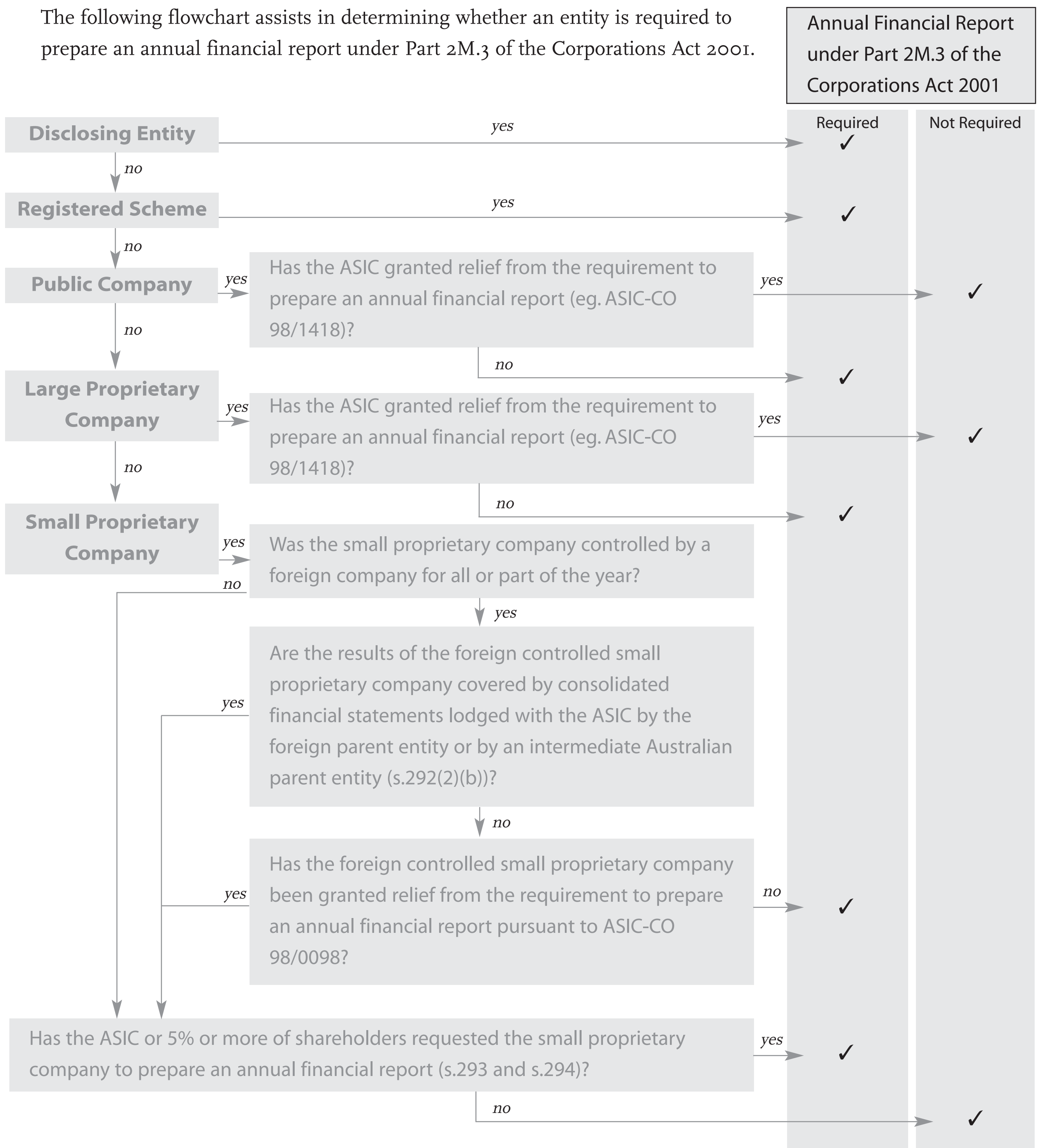
  iv details of parties added or removed from the deed of cross guarantee, or are subject to a Notice of Disposal; and

  v a statement that at or about the time of the company's reporting date the directors reassessed the advantages and disadvantages associated with the company remaining a party to the deed of cross guarantee and taking advantage of the relief and the directors resolved either that the company should continue to remain a party to the deed of cross guarantee, or seek to revoke the deed of cross guarantee, as the case may be.

Part 2 – Corporations Act 2001

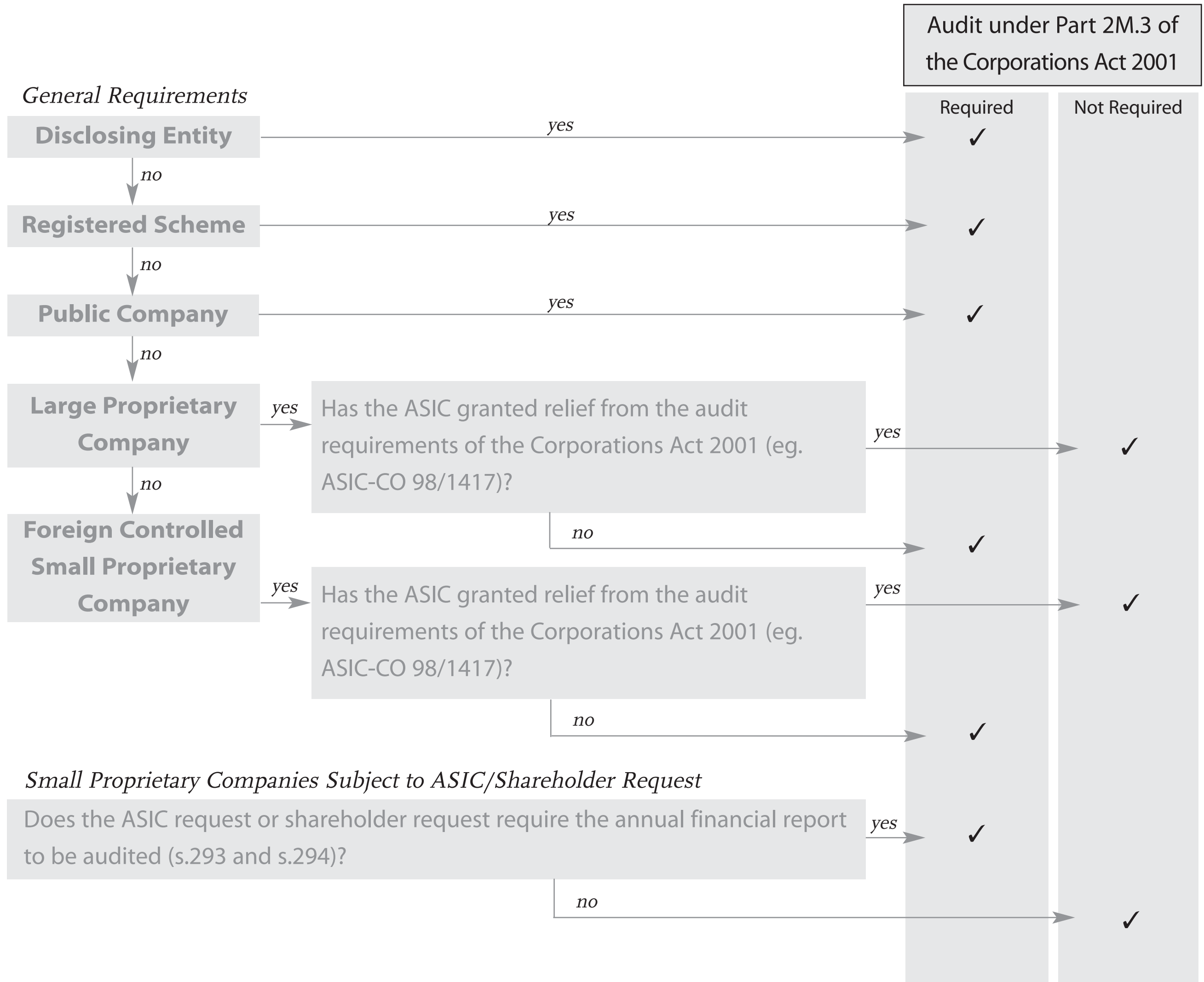
Preparation of an Annual Financial Report

The following flowchart assists in determining whether an entity is required to prepare an annual financial report under Part 2M.3 of the Corporations Act 2001.



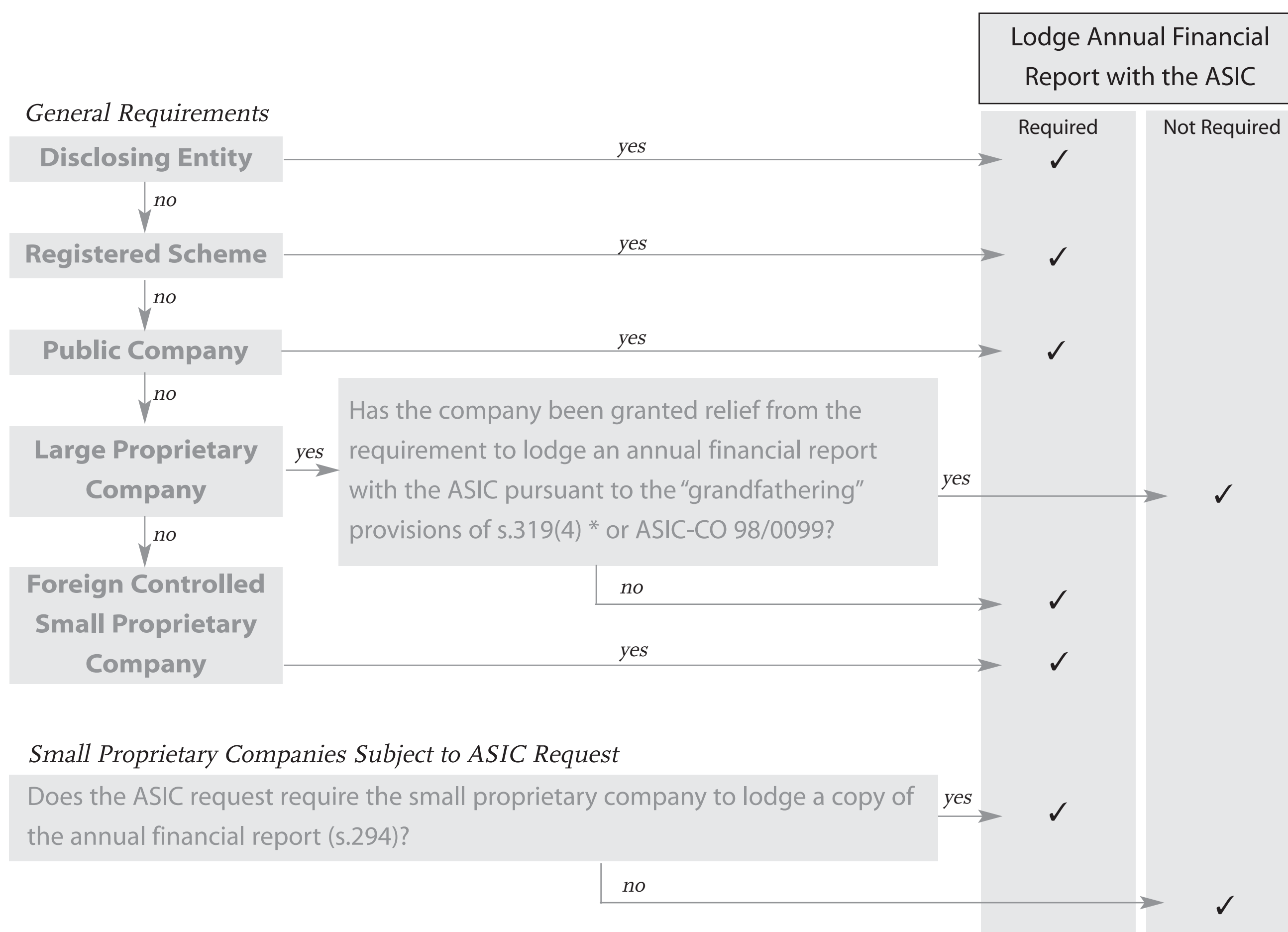
Audit of the Annual Financial Report

Having determined that an entity is required to prepare an annual financial report under Part 2M.3 of the Corporations Act 2001, the following flowchart assists in determining whether the annual financial report is required to be audited under Part 2M.3 of the Corporations Act 2001.



Lodgement of the Annual Financial Report with the ASIC

Having determined that an entity is required to prepare an annual financial report under Part 2M.3 of the Corporations Act 2001, the following flowchart assists in determining whether the annual financial report is required to be lodged with the ASIC.



* In accordance with the "grandfathering" provisions of the former s.319(4) of the Corporations Law, which continues to apply in accordance with s.1408(6) of the Corporations Act 2001, a large proprietary company is not required to lodge an annual financial report with the ASIC provided:

- the company was an exempt proprietary company on 30 June 1994;
- the company continues to meet the definition of "exempt proprietary company" (as in force at 30 June 1994) at all times since 30 June 1994;
- the company was a large proprietary company at the end of the first financial year after 9 December 1995;
- the company's financial statements for the financial year ending during 1993 and each later financial year have been audited before the deadline; and
- within 4 months after the end of the first financial year after 9 December 1995, the company lodged with the ASIC (using Form 373) a notice that the company has applied the lodgement relief granted by s.319(4).

Format of an Annual Financial Report

An annual financial report prepared to satisfy the requirements of Part 2M.3 of the Corporations Act 2001 must include:

- financial statements for the period, comprising a statement of financial performance, statement of financial position and statement of cash flows;
- notes to the financial statements, as required by the regulations and Accounting Standards; and
- a directors' declaration.

Part 2M.3 of the Corporations Act 2001 also requires a directors' report to be prepared and attached the annual financial report of the entity.

Directors' Report

The directors' report for a financial year must contain (pursuant to sections 299, 300 and 300A, except where otherwise stated):

a All companies:

- a review of operations and the results of those operations;
- details of any significant changes in the entity's state of affairs during the year;
- details of the entity's principal activities during the year and any significant changes in the nature of those activities during the year;
- details of any matter or circumstance that has arisen since the end of the year that has significantly affected, or may significantly affect:
  - the entity's operations in future financial years; or
  - the results of those operations in future financial years; or
  - the entity's state of affairs in future financial years;
- details of likely developments in the entity's operations in future financial years and the expected results of those operations;
- if the entity's operations are subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory–details of the entity's performance in relation to environmental regulation;
- dividends or distributions paid to members during the year;
- dividends or distributions recommended or declared for payment to members, but not paid, during the year;
- the name of each person who has been a director of the company, registered scheme or disclosing entity at any time during or since the end of the year and the period for which they were a director;
- options that are:
  - granted over unissued shares or unissued interests during or since the end of the year; and
  - granted to any of the directors or any of the 5 most highly remunerated officers of the company; and
  - granted to them as part of their remuneration;
- unissued shares or interests under option as at the day the report is made;
- shares or interests issued during or since the end of the year as a result of the exercise of an option over unissued shares or interests;
- details of indemnities given and insurance premiums paid during or since the end of the year for a person who is or has been an officer or auditor;
- details of any application for leave under section 237 of the Corporations Act 2001 made in respect of the company, including the applicant's name and a statement whether leave was granted; and
- details of any proceedings that a person has brought or intervened in on behalf of the company with leave under section 237 of the Corporations Act 2001, including the person's name, the names of the parties to the proceedings, and sufficient information to enable members to understand the nature and status of the proceedings (including the cause of action and any orders made by the court).

b Public companies that are not a wholly-owned subsidiaries of another company or of a recognised company, in respect of each director:
  - qualifications, experience and special responsibilities;
  - number of meetings of the board of directors held during the year and each director's attendance at those meetings; and
  - number of meetings of each board committee held during the year and each director's attendance at those meetings.

c Listed companies:
  - discussion of the broad policy for determining the nature and amount of emoluments of board members and senior executives of the company;
  - discussion of the relationship between such policy and the company's performance;
  - details of the nature and amount of each element of the emolument of each director and each of the 5 named officers of the company receiving the highest emolument; and
  - in respect of each director:
    - their relevant interests in shares of the company or a related body corporate;
    - their relevant interests in debentures of, or interests in a registered scheme made available by, the company or a related body corporate;
    - their rights or options over shares in, debentures of or interests in a registered scheme made available by, the company or a related body corporate; and
    - contracts:
      - to which the director is a party or under which the director is entitled to a benefit; and
      - that confer a right to call for or deliver shares in, or debentures of or interests in a registered scheme made available by the company or a related body corporate.

d Listed registered schemes, in respect of each director of the company that is the responsible entity for the scheme:
  - their relevant interests in interests in the scheme;
  - their rights or options over interests in the scheme; and
  - contracts to which the director is a party or under which the director is entitled to a benefit and that confer a right to call for or deliver interests in the scheme.

e Registered schemes:
  - the fees paid to the responsible entity and its associates out of scheme property during the financial year;
  - the number of interests in the scheme held by the responsible entity or its associates as at the end of the financial year;
  - interests in the scheme issued during the financial year;
  - withdrawals from the scheme during the financial year;
  - the value of the scheme's assets as at the end of the financial year, and the basis for the valuation; and
  - the number of interests in the scheme as at the end of the financial year.

The report must be signed by a director in accordance with a resolution of directors (s.298(2)).

Directors' Declaration

The financial report must include a statement (per s.295(4)) by the directors declaring:

a the financial statements and notes thereto comply with Accounting Standards;

b the financial statements and notes thereto give a true and fair view of the financial position and performance of the company and the consolidated entity;

c in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and

d in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Audit Report

Where an audit is required, an audit report must be attached to the financial report (per s.301) stating (per s.308) whether or not, in the auditor's opinion, the financial report is in accordance with:

a the Corporations Act 2001, including:

 i giving a true and fair view of the company's and consolidated entity's financial position and of their performance; and

 ii complying with Accounting Standards and the Corporations Regulations 2001; and

b other mandatory professional reporting requirements.

Financial Statements

The financial statements and notes to the financial statements must give a true and fair view of the company's financial position and performance (per s.297) and must comply with Australian Accounting Standards (per s.296).

Reporting Deadlines

The following table summarises the reporting deadlines under the Corporations Act 2001 and ASX Listing Rules (where relevant). For listed disclosing entities, the reporting deadlines provided below are only applicable to half-years and financial ending before 30 June 2003.

Source Reference	Requirement	Listed Disclosing Entity**	Non-Listed Disclosing Entity	Public Company	Large Proprietary Company	Foreign Controlled Small Proprietary Company	Registered Scheme
Half-Year Financial Report							
ASX 4.1, ASX 4.1.1	Lodgement of the ASX half-year proforma report with the ASX (Appendix 4B)	As soon as available (and no later than 75 days after the half-year end)	N/A	N/A	N/A	N/A	N/A
ASX 4.2, ASX 4.2.1	Lodgement of the Corporations Act 2001 half-year financial report with the ASX	As soon as available (and no later than 75 days after the half-year end)	N/A	N/A	N/A	N/A	N/A
s.320	Lodgement of the Corporations Act 2001 half-year financial report with the ASIC	N/A (ASIC-CO 98 /0104)	Within 75 days after the half-year end	N/A	N/A	N/A	N/A
Annual Financial Report							
ASX 4.3, ASX 4.3.1	Lodgement of the ASX preliminary final report with the ASX (Appendix 4B)	As soon as available (and no later than 75 days after theyear end)	N/A	N/A	N/A	N/A	N/A
ASX 4.5	Lodgement of the Corporations Act 2001 annual financial report and concise report with the ASX	As soon as available (and no later than 3 months after theyear end)	N/A	N/A	N/A	N/A	N/A
s.319	Lodgement of the Corporations Act 2001 annual financial report and concise report with the ASIC	N/A (ASIC-CO98/0104)	Within 3 months after the year end	Within 4 months after the year end	Within 4 months after the year end	Within 4 months after the year end	Within 3 months after the year end
ASX 4.6, ASX 4.7 ASX 4.7.1, s.315	Distribution of the Corporations Act 2001 annual financial report or concise report to the members	Within 17 weeks after the year end (and no less than 21 days before the AGM)	Earlier of 21 days before the AGM or 4 months after year end end	Earlier of 21 days before the AGM or 4 months after year	Within 4 months after year end	Within 4 months after year end	Within 3 months after year end
Annual General Meetings							
s.250N	Hold the AGM	Within 5 months after the year end (if a public company)	Within 5 months after the year end (if a public company)	Within 5 months after the year end (if more than 1 member company)	N/A	N/A	N/A
Annual Returns							
s.345	Lodgement of the annual return	No later than 31 January	No later than 31 January	No later than 31 January	No later than 31 January	No later 31 January	Within 3 months after the year end

* Note, a wholly-owned public company is not required to hold an AGM under s.250N(4).

** Applicable for half-years and financial years ending before 30 June 2003.

Reporting Deadlines (continued)

The following table summarises the reporting deadlines for lodgement of half-year and annual financial reports of listed disclosing entities under the Corporations Act 2001 and the revised ASX Listing Rules which are operative for half-years and financial years ending on or after 30 June 2003. The deadlines relating to annual general meetings and annual returns as disclosed on page 19 have not been amended by the revision to the ASX Listing Rules.

Source Reference	Requirement	Reporting Deadlines
Half-Year Financial Reports (For half-years ending on or after 30 June 2003)		
ASX 4.2A, ASX 4.2A.3, ASX 4.2B	Lodgement of Appendix 4D with the ASX (Appendix 4B no longer required)	As soon as available (no later than when half-year reports are lodged with ASIC and no later than 2 months after half-year end)
ASX 4.2A, ASX 4.2A, 1ASX 4.2B	Lodgement of the Corporations Act 2001 half-year financial report (prepared in accordance with AASB 1029 "Interim Financial Reporting") with the ASX	As soon as available (no later than when half-year reports are lodged with ASIC and no later than 2 months after half-year end)
s.320	Lodgement of the Corporations Act 2001 half-year financial report with the ASIC	N/A(ASIC-CO 98/0104)
Annual Financial Report (For financial years ending on or after 30 June 2003)		
ASX 4.3AASX 4.3B	Lodgement of Appendix 4E with the ASX (Appendix 4B no longer required)	Financial years ending on or after 30 June 2003 but before 30 June 2004: As soon as available (and no later than 75 days after year end. Financial years ending on or after 30 June 2004: As soon as available (and no later than 2 months after year end)
ASX 4.5	Lodgement of the Corporations Act 2001 annual financial report and concise report with the ASX	As soon as available (and no later than 3 months after the year end)
s.319	Lodgement of the Corporations Act 2001 annual financial report and concise report with the ASIC	N/A(ASIC-CO 98/0104)
ASX 4.6, ASX 4.7, ASX 4.7.1, s.315	Distribution of the Corporations Act 2001 annual financial report or concise report to the members	Within 17 weeks after the year end (and no less than 21 days before the AGM)

Other Small Proprietary Companies

With the exception of certain foreign controlled small proprietary companies (refer above), small proprietary companies are not required to prepare an annual financial report under the Corporations Act 2001, unless requested to do so by either:

a the ASIC; or

b the shareholders of the company.

ASIC Request

In the event that a small proprietary company (not otherwise required to prepare and lodge an annual financial report under the Corporations Act 2001) is requested by the ASIC to prepare and lodge an annual financial report, the deadline for lodgement with the ASIC is the date specified in the request (s.294).

Shareholders' Request

In the event that a small proprietary company (not otherwise required to prepare an annual financial report under the Corporations Act 2001) is requested by the shareholders to prepare and distribute an annual financial report, the deadline for the distribution is the later of (s.315(2)):

a 2 months after the date on which the request is made; or

b 4 months after the end of the financial year.

Where a small proprietary company is required to prepare an annual financial report in accordance with a shareholders' request, a directors' report need not be prepared and that financial report is not required to be made out in accordance with accounting standards where the shareholders' request specifies that a directors' report is not required to be prepared and that accounting standards need not be complied with. In addition, the annual financial report is only required to be audited where the shareholders' request asks for an audit to be performed.

Signing the Annual Financial Report and Half-Year Financial Report

The directors' report and directors' declaration must be prepared and signed off in time to comply with the lodgement and distribution deadlines of the Corporations Act 2001 (as detailed above).

The directors' report and directors' declaration (made out in accordance with a directors' resolution) need only be signed by one director, for example, the chairman of the board. The Board of Directors can however choose to have more than one director sign the directors' report or directors' declaration.

Notice of Members' Meetings

In relation to proprietary companies and unlisted public companies, 21 days notice must be given for all members' meetings (unless a longer notice period is specified in the company's constitution). However, the Corporations Act 2001 makes provision for the members to agree to a shorter notice period, other than notice periods for members' meetings in which a resolution will be moved to appoint or remove directors, or remove the auditor of the company.

In relation to listed companies, 28 days notice must be given for all members' meetings (unless a longer notice period is specified in the company's constitution).

Part Three – Accounting Standards Issued by the AASB

Background

Approved Accounting Standards were issued by the Accounting Standards Review Board (ASRB) up to 31 December 1990. The ASRB was replaced by the Australian Accounting Standards Board (AASB) on 1 January 1991, with the introduction of the Corporations Law (now Corporations Act 2001). As a result of the Corporate Law Economic Review Program (CLERP) a new Board has been established, replacing the previously existing AASB and the Public Sector Accounting Standards Board (PSASB) with effect from 1 January 2000. CLERP also introduced a Financial Reporting Council to oversee the operations of the AASB.

The Corporations Act 2001 requires that the financial statements of entities reporting under the Corporations Act 2001 comply with Accounting Standards: s.296. If the directors are of the opinion that compliance with Accounting Standards does not result in a true and fair view they are required to provide additional information and explanations by way of a note to the financial statements: s.295(3)(c).

Application

As a result of the amendments specified in AASB 1025 "Application of the Reporting Entity Concept and Other Amendments", AASB 1030 "Application of Accounting Standards to Financial Year Accounts and Consolidated Accounts of Disclosing Entities other than Companies" and AASB 1043 "Changes to the Application of AASB and AAS Standards and Other Amendments", AASB accounting standards (except for those accounting standards noted below) apply to all 22entities that are required to prepare general purpose financial reports under Part 2M.3 of the Corporations Act 2001.

Exceptions:

- AASB 1018 – "Statement of Financial Performance" (Entities required to prepare a financial report under Chapter 2M of the Corporations Act 2001 in relation to half-years ending on or after 31 December 2000 and financial years ending on or after 30 June 2001).
- AASB 1027 – "Earnings Per Share" (Entities required to prepare general purpose financial reports under Part 2M.3 of the Corporations Act 2001 that have listed ordinary shares, are in the process of listing, or disclose EPS in their financial report, in relation to annual reporting periods beginning on or after 1 July 2001).
- AASB 1029 – "Interim Financial Reporting" (Disclosing entities that are required to prepare half-year financial reports under Part 2M.3 of the Corporations Act 2001, and entities that prepare interim financial reports that are general purpose financial reports, in relation to interim periods beginning on or after 1 July 2001).
- AASB 1032 – "Specific Disclosures by Financial Institutions" (Financial Institutions that are required to prepare general purpose financial reports under Part 2M.3 of the Corporations Act 2001).
- AASB 1034 – "Financial Reports Presentation and Disclosure" (Entities required to prepare a financial report under Chapter 2M of the Corporations Act 2001 in relation to half-years ending on or after 31 December 2000 and financial years ending on or after 30 June 2001).
- AASB 1038 – "Life Insurance Business" (Life insurers and parent entities in an economic entity that includes a life insurer that are required to prepare general purpose financial reports under Part 2M.3 of the Corporations Act 2001).

- AASB 1040 – "Statement of Financial Position" (Entities required to prepare a financial report under Chapter 2M of the Corporations Act 2001 in relation to half-years ending on or after 31 December 2000 and financial years ending on or after 30 June 2001).
- AASB 1045 – "Land Under Roads" (Local governments, government departments, Commonwealth, State and Territory governments required to prepare general purpose financial reports, financial reports held out to be general purpose financial reports by a government department that is not a reporting entity and general purpose financial reports of each Commonwealth, State and Territory Government.)

The Move Towards a Single Series of Accounting Standards

In August 2000 the AASB commenced the issue of Standards presented in a format that combines the formats previously used in AASB Standards and AAS Standards in order to move towards the issue of a single series of Standards. That is, Standards now issued by the AASB will have application to each entity that is required to prepare financial reports under Part 2M.3 of the Corporations Act 2001 and that is a reporting entity, and general purpose financial reports of each other reporting entity. At the date of this publication, those Standards released in the combined format are AASB 1005 "Segment Reporting", AASB 1012 "Foreign Currency Translation", AASB 1027 "Earnings Per Share", AASB 1029 "Interim Financial Reporting", AASB 1041 "Revaluation of Non-Current Assets" (July 2001), AASB 1042 "Discontinuing Operations", AASB 1043 "Changes to the Application of AASB and AAS Standards and Other Amendments" and AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets".

The Move Towards Adoption of International Accounting Standards

In July 2002, the Financial Reporting Council formalised its support for adoption by Australia of international accounting standards by 2005. Further, in September 2002, the Corporate Law Economic Reform Program Issues Paper No. 9 (CLERP 9) was issued which proposes that the body of International Accounting Standards Board (IASB) standards be adopted in Australia for reporting periods beginning on or after 1 January 2005. Part 12 "International Accounting Standards" provides more information on the adoption of IASB Standards by Australia.

AASB Accounting Standards

The following table lists the AASB accounting standards currently on issue. Where a revised standard has been issued but is not operative until after 30 June 2003, both the current and the revised standards have been listed.

Number	Subject	Issued	Application Date
AASB 1001	Accounting Policies	03/99	Financial years ending on or after 31 December 1999
AASB 1002	Events Occurring after Reporting Date	10/97	Financial years ending on or after 30 June 1998
AASB 1004	Revenue	06/98	Financial years ending on or after 30 June 1999
AASB 1005	Segment Reporting	08/00	Annual Reporting periods beginning on or after 1 July 2001
AASB 1006	Interests in Joint Ventures	12/98	Financial years ending on or after 31 December 1999
AASB 1008	Leases	10/98	Financial years ending on or after 31 December 1999
AASB 1009	Construction Contracts	12/97	Financial years ending on or after 31 December 1998
AASB 1010	Recoverable Amount of Non-Current Assets	12/99	Reporting periods beginning on or after 1 July 2000
AASB 1011	Accounting for Research and Development Costs	05/87	Financial years ending on or after 30 September 1987
AASB 1012	Foreign Currency Translation	11/00	Annual reporting periods beginning on or after 1 January 2002
AASB 1013	Accounting for Goodwill	06/96	Financial years ending on or after 30 June 1996
AASB 1014	Set-off and Extinguishment of Debt	12/96	Financial years ending on or after 31 December 1997
AASB 1015	Acquisitions of Assets	11/99	Half-years ending on or after 30 June 2000 and financial years ending on or after 31 December 2000
AASB 1016	Accounting for Investments in Associates	08/98	Financial years ending on or after 30 June 1999
AASB 1017	Related Party Disclosures	02/97	Financial years ending on or after 30 June 1997
AASB 1018	Statement of Financial Performance	06/02	Annual reporting periods ending on or after 30 June 2002
AASB 1019	Inventories	03/98	Financial years ending on or after 30 June 1999
AASB 1020	Accounting for Income Tax (Tax-effect Accounting)	10/89	Financial period that ends on or after 31 December 1989

Number	Subject	Issued	Application Date
AASB 1020	Income Taxes	12/99	Half-years ending on or after 30 June 2005 and financial years ending on or after 31 December 2005 *(Operative date amended by AABS 1020B)*
AASB 1021	Depreciation	08/97	Financial years ending on or after 30 June 1998
AASB 1022	Accounting for the Extractive Industries	10/89	Financial period that ends on or after 31 December 1989
AASB 1023	Financial Reporting of General Insurance Activities	11/96	Financial years ending on or after 31 December 1997
AASB 1024	Consolidated Accounts	05/92	Financial years ending on or after 30 June 1992
AASB 1025	Application of the Reporting Entity Concept and Other Amendments	07/91	Financial years ending on or after 30 June 1992
AASB 1026	Statement of Cash Flows	10/97	Financial years ending on or after 30 June 1998
AASB 1027	Earnings per Share	06/01	Annual reporting periods beginning on or after 1 July 2001
AASB 1028	Accounting for Employee Entitlements	03/94	Financial years ending on or after 30 June 1995
AASB 1028	Employee Benefits	06/01	Annual reporting periods beginning on or after 1 July 2002
AASB 1029	Interim Financial Reporting	10/00	Interim financial periods beginning on or after 1 July 2001
AASB 1030	Application of Accounting Standards to Financial Year Accounts and Consolidated Accounts of Disclosing Entities Other than Companies	12/94	Financial years commencing on or after 1 July 1994
AASB 1031	Materiality	09/95	Financial years ending on or after 30 June 1996
AASB 1032	Specific Disclosures by Financial Institutions	12/96	Financial years ending on or after 31 December 1997
AASB 1033	Presentation and Disclosure of Financial Instruments	10/99	Half-years ending on or after 30 June 2000 and financial years ending on or after 31 December 2000
AASB 1034	Financial Report Presentation and Disclosures	10/99	Half-years ending on or after 31 December 2000 and financial years ending on or after 30 June 2001
AASB 1036	Borrowing Costs	12/97	Financial years ending on for after 31 December 1998
AASB 1037	Self-Generating and Regenerating Assets	08/98	Financial years ending on or after 30 June 2001
AASB 1038	Life Insurance Business	11/98	Financial years ending on or after 31 December 1999
AASB 1039	Concise Financial Reports	06/02	Annual reporting periods ending on or after 30 June 2002

Number	Subject	Issued	Application Date
AASB 1040	Statement of Financial Position	10/99	Half-years ending on or after 31 December 2000 and financial years ending on or after 30 June 2001
AASB 1041	Revaluation of Non-Current Assets	07/01	Reporting periods ending on or after 30 September 2001
AASB 1042	Discontinuing Operations	08/00	Annual reporting periods beginning on or after 1 July 2001
AASB 1043	Changes to the Application of AASB and AAS Standards and Other Amendments	12/00	Annual reporting periods and interim reporting periods ending on or after 1 July 2000
AASB 1044	Provisions, Contingent Liabilities and	10/01	Annual reporting periods beginning Contingent Assets on or after 1 July 2002
AASB 1045	Land Under Roads: Amendments to AAS 27A, 29A and AAS 31A	10/02	Annual reporting periods ending on or after 31 December 2002

AASB 1001: Accounting Policies (AAS 6)

Criteria for Selection and Application of Accounting Policies

To ensure that the substance of the underlying transactions and other events is reported in the financial report, accounting policies must be selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability. When developing an accounting policy in the absence of a specific Australian Accounting Standard or UIG Consensus View, guidance is provided on other pronouncements that should be considered, in order of preference.

Consistency of Application of Accounting Policies

Accounting policies must be applied in a manner which ensures that the resulting financial information is comparable and understandable, without sacrificing its relevance and reliability.

Basis of Accounting

The financial report must be prepared on a going concern basis unless it is intended to either liquidate the entity or to otherwise wind up its operations, or there is no realistic alternative but to liquidate the entity or to otherwise wind up its operations.

The statement of financial performance and statement of financial position must be prepared on an accrual basis.

Disclosure of Accounting Policies

A summary of accounting policies must be presented in the initial section of the notes to the financial statements. The summary must:

a state that the financial report is a general purpose financial report;

b state whether the financial report has been prepared in accordance with:

- i Accounting Standards;
- ii other authoritative pronouncements of the Australian Accounting Standards Board and/or the Public Sector Accounting Standards Board; and
- iii Urgent Issues Group Consensus Views;

c describe the measurement basis or bases used in preparing the financial report; and

d describe each specific accounting policy that is necessary for a proper understanding of the financial report.

Circumstances in which a Change in Accounting Policy is Permitted

A change in accounting policy must be made only when:

a it is necessary in order to comply with another Accounting Standard or UIG Consensus View;

b no specific Accounting Standard applies and the change will result in an overall improvement in the relevance and reliability of financial information about the financial performance, financial position and cash flows of the entity; or

c an Accounting Standard permits alternative accounting policies and the change from one permitted accounting policy to another permitted accounting policy will result in an overall improvement in the relevance and reliability of financial information about the financial performance, financial position and cash flows of the entity.

Accounting for a Change in Accounting Policy

Initial Adoption of Accounting Standards or UIG Consensus Views

A change in accounting policy that is made on the initial adoption of another Accounting Standard or UIG Consensus View must be accounted for in accordance with the specific transitional provisions of that Accounting Standard or UIG Consensus View.

Other Changes in Accounting Policy

In relation to a change in accounting policy that is not a change arising on the initial adoption of another Accounting Standard or UIG Consensus View, the cumulative financial effect of such change must be calculated as if the new accounting policy had always been applied. The cumulative financial effect up to the end of the preceding financial year, including any adjustment to deferred income tax balances, must be recognised as a revenue or an expense in the statement of financial performance in the financial year in which the change is made.

However, the revised Standard prescribes that when it is not practicable to determine the cumulative financial effect up to the end of the preceding financial year of a change in accounting policy (that is not a change arising on the initial adoption of another Accounting Standard or UIG Consensus View), the new accounting policy must be applied from the beginning of the current financial year.

Impact on Comparative Information

Comparative information on the face of the financial statements must not be restated where the cumulative financial effect up to the end of the preceding financial year of a change in accounting policy is recognised as a revenue or an expense in the statement of financial performance in the financial year in which the change is made.

Disclosure of Changes in Accounting Policy

Change in the Current Financial Year

Where a change in an accounting policy from that applied in the preceding financial year has an effect in the current financial year or any prior financial years presented in the financial report, or is expected to have an effect in a subsequent financial year, the following must be disclosed in the summary of accounting policies or in a note referred to in the summary of accounting policies:

a the nature of the change;

b the reasons for the change;

c the amount of the adjustment, if any, recognised as a revenue or an expense in the statement of financial performance for the financial year;

d the amount of the adjustment, if any, to the opening balance of retained profits or accumulated losses of the current financial year; and

e the amount of the adjustment relating to prior financial years, including:

- i where practicable, the restatement of comparative information for each prior financial year presented in the financial report to show the information that would have been disclosed in the prior financial year had the new accounting policy always been applied. If it is impracticable to restate the comparative information for each prior financial year presented, that fact must be disclosed; and
- ii the amount of the adjustment relating to financial years prior to those presented in the financial report.

Change in the Prior Financial Year

Where a change in accounting policy made in the preceding financial year did not have a material effect in that financial year but has a material effect in the current financial year, the following must be disclosed in the summary of accounting policies or in a note referred to in the summary of accounting policies:

- a the nature of the change;
- b the reasons for the change;
- c that the change was made in the preceding financial year; and
- d the financial effect of the change in the current financial year.

AASB 1002: Events Occurring After Reporting Date (AAS 8)

Disclosure Requirements

Post balance date (or subsequent) events which:

- a aid in determining the amount of an item which was uncertain at balance date; or
- b reveal for the first time a condition that existed at balance date, thereby leading to a different assessment of the item at balance date;

should be brought to account.

Post balance date (or subsequent) events which do not relate to any conditions existing at balance date, but the effects of those events are material in relation to the financial statements, the following information must be disclosed:

- a a description of each event;
- b a statement that each event occurred after balance date;
- c a statement that the financial effect was not brought to account;
- d subject to paragraph (e), the financial effect of each event or, where it is not possible to estimate the effect reliably, a statement to that effect; and
- e where the event provides evidence that the going concern basis is not appropriate for the entity or for a subsidiary of the economic entity (where the reporting entity is an economic entity) after the reporting date:
  - i assets for which the going concern basis is not appropriate, the carrying amounts and the amounts for which the assets are expected to be realised; and
  - ii liabilities for which the going concern basis is not appropriate, the carrying amounts and the amounts for which the liabilities are expected to be settled.

AASB 1003: Foreign Currency Translation – Disclosure

This Standard has been replaced by AASB 1012 and ceased to be operative for financial periods beginning on or after 1 January 1988.

AASB 1004: Revenue (AAS 15)

Accounting Requirements

Revenue must be measured at the fair value of the consideration or contributions received or receivable.

Revenue from the sale of goods or disposal of other assets can only be recognised when control of the assets has passed to the buyer, it is probable that the economic benefits comprising the consideration will flow to the entity and the amount of revenue can be measured reliably.

Revenue arising from the rendering of services, where the outcome of the contract can be measured reliably, must be recognised by reference to the stage of completion of the contract where:

- a the entity controls a right to be compensated for services rendered;
- b it is probable that the economic benefits comprising the consideration flow to the entity;

- c the amount of revenue can be reliably estimated; and
- d the stage of completion of the transaction can be reliably measured.

However where the outcome of a contract to provide services cannot be reliably estimated, contract costs must be recognised as an expense in the financial year in which they are incurred and where it is probable that the costs will be recovered, revenue must be recognised only to the extent of costs incurred.

Specific guidance is also provided on the recognition of rents, interest, royalties, dividends, contributions of assets, liabilities forgiven and exchange of goods or services.

Disclosure Requirements

The financial report shall disclose:

- a the accounting policies adopted for the recognition of revenues, including the methods adopted to determine the stage of completion of contracts involving the rendering of services;
- b the amount of each category of revenue recognised during the financial year, including:
  - i the sale of goods;
  - ii the rendering of services;
  - iii rents;
  - iv interest, including items of a similar nature;
  - v royalties;
  - vi dividends;
  - vii the disposal of assets other than goods, including non-current assets;
  - viii contributions of assets, including cash and non-monetary assets;
  - ix the forgiveness of liabilities; and
  - x any other source; and
- c the amount of revenue arising from exchanges or swaps of goods or services included in any category of revenue.

In relation to each disclosure made, there must be separate disclosure of revenue arising from:

- a the operating activities of the entity; and
- b outside the operating activities of the entity.

AASB 1005 Segment Reporting

A revised version of AASB 1005 “Segment Reporting” was issued in August 2000. The revised Standard applies to annual reporting periods beginning on or after 1 July 2001.
The main features of the revised Standard are as follows:

Identifying Segments

The Standard requires information be reported for business segments (similar to previous industry segments) and geographical segments.

An entity’s organisational and management structure and internal financial reporting system to the chief executive officer and the governing body normally provide the best evidence of whether the entity’s predominant source of risks and returns relate to the products and services it provides or to the fact that it operates in different geographical areas. Therefore, an entity normally reports segment information in its financial report on the same basis as it reports internally. However, where the entity’s internal organisational and management structure and its system of internal financial reporting to the chief executive officer and the governing body are not based on business or geographical segments, for the purpose of financial reporting, the entity’s segments must be determined in accordance with the definitions prescribed by the Standard.

Primary and Secondary Segment Reporting Format

Where the entity’s risks and returns are affected predominately by differences in the products and services it provides compared to differences in the geographical areas in which it operates, the entity must use:

- a business segments as its primary reporting format; and
- b geographical segments as its secondary reporting format.

Where the entity’s risks and returns are affected predominately by differences in the geographical areas in which it operates compared to differences

in the products and services it provides, the entity must use:

a geographical segments as its primary reporting format; and

b business segments as its secondary reporting format.

Where an entity's risks and returns are strongly affected both by differences in the products and services it provides and by differences in the geographical areas in which it operates, the entity must use business segments as its primary segment reporting format and geographical segments as its secondary segment reporting format.

Reportable Segments

A business segment or geographical segment must be identified as a reportable segment if a majority of its segment revenues arise from sales to external customers and:

a its revenues from sales to external customers and from sales to other segments is 10 per cent or more of the total segment revenues of all segments;

b its segment result, whether profit or loss/result, is 10 per cent or more of the combined result of all segments that earned a profit or the combined result of all segments that incurred a loss, whichever is the greater in absolute amount; or

c its assets are 10 per cent or more of the total segment assets of all segments.

Disclosure of "Primary" Segment Information

The financial report must disclose the following information for each reportable segment that is required to be disclosed, using the primary segment reporting format:

a segment revenues distinguishing between revenues from sales to external customers and revenues from transactions with other segments;

b segment result;

c segment assets;

d segment liabilities;

e the total amount recognised during the annual reporting period for the acquisition of segment assets that are expected to be used during more than one annual reporting period;

f the total amount of expenses included in segment result for depreciation and amortisation of segment assets;

g the total amount of non-cash expenses, other than those disclosed under paragraph (f), above, included in segment expenses;

h the aggregate of the entity's share of the net profit or loss/result of associates or other investees accounted for by the equity method of accounting if substantially all those associates' or other investees' operations are within the segment; and

i the aggregate carrying amount of investments in those associates and investees for which disclosure is made in accordance with paragraph (h), above.

Disclosure of "Secondary" Segment Information

Where the entity's primary format for reporting segment information is business segments, the financial report must disclose the following for each geographical segment where the total revenues from sales to external customers is 10 per cent or more of total entity revenues from sales to all external customers or whose total segment assets is 10 per cent or more of the total assets of all geographical segments:

a segment revenues from external customers by geographical area based on the geographical location of its customers;

b the total carrying amount of segment assets by geographical location of assets; and

c the total amount recognised during the annual reporting period for the acquisition of segment assets that are expected to be used during more than one annual reporting period by geographical location of assets.

Where the entity's primary format for reporting segment information is geographical segments (whether based on location of assets or location of customers), the financial report must disclose the following for each business segment where the total revenues from sales to external customers is

10 per cent or more of total entity revenues from sales to all external customers or whose total segment assets is 10 per cent or more of the total assets of all business segments:

a segment revenues from external customers;

b the total carrying amount of segment assets; and

c the total amount recognised during the annual reporting period for the acquisition of segment assets that are expected to be used during more than one annual reporting period.

AASB 1006: Interests in Joint Ventures (AAS 19)

Key Definitions

"Joint venture" means a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

"Joint control" means the contractually agreed sharing of control over an economic activity, that is where two or more parties (venturers) together have the capacity to dominate the making of major decisions in relation to the economic activity.

"Joint venture entity" means a joint venture that is in the form of a corporation, partnership or other form of entity established separate from the venturers.

"Joint venture operation" means a joint venture that is not a joint venture entity – that is, it does not involve separate entities and may simply be an arrangement to share assets.

Note, a joint venture entity and a joint venture operation does not include an entity:

a that is acquired and held exclusively with a view to its disposal in the near future; or

b that operates under severe long-term restrictions which impair significantly its ability to make distributions to the venturer.

Accounting for Joint Venture Operations

A venturer in a joint venture operation must recognise the assets, liabilities and expenses arising from its interest in a joint venture operation and revenues from the sale or use of its share of the output of a joint venture operation.

Disclosures for Joint Venture Operations

A venturer with interests in joint venture operations must disclose:

a the name and principal activities of each joint venture operation;

b its percentage interest in the output of each joint venture operation during the financial year; and

c for each category of assets, the amount employed in joint venture operations.

Accounting for Joint Venture Entities

A venturer that has an interest in a joint venture entity that is a partnership must apply the equity method of accounting in its own financial report and, where applicable, its consolidated financial report in accordance with Section 5 of AASB 1016 "Accounting for Investments in Associates".

In accordance with Section 5 of AASB 1016, a venturer that has an interest in a joint venture entity that is not a partnership must:

a apply the equity method of accounting in its consolidated financial report and the cost method in its own financial report; or

b apply the equity method of accounting in its own financial report if it does not prepare a consolidated financial report.

Disclosures for Joint Venture Entities

A venturer with interests in joint venture entities is not required to comply with the disclosure requirements of AASB 1016 in relation to its investment in a joint venture entity.

A venturer with interests in joint venture entities must disclose the following information:

a the name and principal activities of each joint venture entity;

b the joint venture entity's reporting date, if it is different from that of the venturer;

c its ownership interest in each joint venture entity as at the joint venture entity's reporting date and, if different, at the venturer's reporting date;

d the proportion of voting power held in each joint venture entity where it is different from the proportion of ownership interest;

- e the amounts of retained profits or accumulated losses as at the beginning and end of the financial year which are attributable to its interest in joint venture entities;
- f the amounts of other reserves at the beginning and end of the financial year which are attributable to its interest in joint venture entities;
- g a schedule setting out the movements in the carrying amount of investments in joint venture entities, separately identifying the carrying amount as at the beginning and end of the financial year, and the amounts of new investments, disposals, share of the results, dividends and other movements;
- h the financial effects of events occurring after reporting date of a joint venture entity which could materially affect the financial position or operating performance of that joint venture entity for the next financial year;
- i where adjustments to eliminate the effect of dissimilar accounting policies cannot be made, the nature of the dissimilarities;
- j in a summarised presentation, its share of the joint venture entity's:
  - i current and non-current assets and liabilities;
  - ii revenues and expenses;
  - iii operating results before income tax;
  - iv income tax expense attributable to operating results; and
  - v extraordinary items (net of income tax); and
- k the aggregate amount of expenditure commitments, other than for the supply of inventories, arising from interests in joint venture entities for which it will be liable.

Other Disclosure Requirements

The financial report shall disclose:

- a separately from the amount of its other contingent liabilities, the aggregate of:
  - i contingent liabilities arising from its interests in joint ventures, including the amount for which it could be liable jointly with other venturers and its share of the contingent liabilities of joint venture entities for which it could be liable; and
  - ii contingent liabilities that arise because the venturer could be liable for the liabilities of other venturers, including the amount arising from a guarantee provided for the liabilities of other venturers; and
- b separately from the amount of its other capital commitments, the aggregate of:
  - i capital commitments arising from its interests in joint ventures including those that have been contracted jointly with other venturers for which it will be liable; and
  - ii its share of the capital commitments of joint venture entities for which it will be liable,

  that have been contracted for as at the reporting date and have not been recognised as liabilities.

AASB 1007: Financial Reporting of Sources and Applications of Funds (AAS 12)

Due to the application of AASB 1026 "Statement of Cash Flows" this Standard does not apply to financial years ending on or after 30 June 1992.

AASB 1008: Leases (AAS 17)

Classification of Leases

A lease in which substantially all of the risks and benefits incident to ownership of the leased property effectively pass from the lessor to the lessee should be classified as a finance lease by both the lessee and the lessor. This is normally assumed to have occurred where the lease is non-cancellable and either:

- a the lease term is greater than 75% of the asset's useful life; or
- b the present value of minimum lease payments exceeds 90% of the asset's fair value.

A lease in which substantially all of the risks and benefits incident to ownership of the lease property effectively remain with the lessor should be classified as an operating lease.

Accounting by Lessees

1 Finance Leases

For finance leases the lessee should record an initial asset and liability which will equate with the present value of the minimum lease payments (rental payments over the term of the lease and any guaranteed residual value). The discount rate to be used in determining the present value of the minimum lease payments is the interest rate implicit in the lease, or where impracticable, the lessee's incremental borrowing rate.

The leased asset should be depreciated in accordance with AASB 1021. Minimum lease payments should be allocated between interest expense and the reduction of the lease liability.

Where a sale and leaseback transaction involves a leaseback which is classified as a finance lease by the lessee, the transaction must not be accounted for as a sale. The difference between the proceeds received by the lessee and the carrying amount of the asset must be deferred and amortised over the lease term.

2 Operating Leases

The minimum lease payments should be recognised as an expense as and when incurred.

Where a sale and leaseback transaction involves a leaseback which is classified as an operating lease by the lessee and the sales price is established at fair value, any profit or loss on the sale must be recognised immediately. However, where the sale price is not established at fair value and the carrying amount of the asset exceeds fair value, the asset must be written down to fair value before applying the following methodology:

a if the sale price is below fair value, any profit or loss must be recognised immediately except that, to the extent the loss is compensated by future rentals at below market price, it must be deferred and amortised in proportion to the rental payments over the lease term; or

b if the sale price is above fair value, the excess of the sale price over the fair value must be deferred and amortised in proportion to the rental payments over the lease term.

Disclosure by Lessees

1 Finance Leases

a the carrying amount of each class of lease asset as at reporting date;

b contingent rentals recognised as an expense in the financial year;

c lease commitments reconciled to the lease liability and classified into less than one year, one to five years and later than five years;

d for non-cancellable sub-leases, the total of future minimum lease payments expected to be received as at the reporting date ; and

e a general description of the lessee's leasing arrangements including but not limited to the following:

   i the basis on which contingent rental payments are determined;

   ii the existence and terms of renewal or purchase options and escalation clauses; and

   iii restrictions imposed by lease arrangements such as those concerning dividends, additional debt, and further leasing.

2 Operating Leases

a the total amount of rental expense recognised in the financial year, with separate amounts for minimum lease payments, contingent rentals, and rental expense arising from sub-leases;

b for non-cancellable sub-leases, the total of future minimum lease payments expected to be received as at the reporting date;

c for non-cancellable operating leases, the minimum lease payments and, where different from the minimum lease payments, the lease commitments classified between less than one year, one to five years and later than five years; and

d a general description of the lessee's leasing arrangements including, but not limited to the following:

   i the basis on which contingent rental payments are determined;

   ii the existence and terms of renewal or purchase options and escalation clauses; and

   iii restrictions imposed by lease arrangements, such as those concerning dividends, additional debt, and further leasing.

Accounting by Lessors

1 Direct Financing Leases

This is a finance lease other than a sales type lease. The present value of the minimum lease payments plus the present value of any unguaranteed residual should be recognised as a receivable. The discount rate to be used in determining the present value of the minimum lease payments is the interest rate implicit in the lease. The finance income attributable to the lease should be recognised progressively over the lease term to achieve a constant periodic rate of return on the carrying amount of the lease receivable.

2 Sales Type Leases

This is a lease in which the fair value of the property differs from its cost to the lessor. This difference should be recognised in net profit or loss in the period the transaction takes place.

3 Operating Leases

Leased property should be recognised as a non-current asset and rental income should be recognised in net profit or loss for the reporting period.

Initial direct costs identified as relating to a direct financing lease should be included in the lessor's investment in the lease while those costs relating to a sales type lease should be accounted for as cost of sales. Initial direct costs identified as relating to an operating lease should be carried forward and amortised.

Disclosure by Lessors

1 Finance Leases

a a reconciliation of the aggregate of the minimum lease payments and any unguaranteed residual value from the standpoint of the lessor, to the lease receivable classified into less than one year, one to five years and later than five years, disclosing separately lease finance revenue not yet recognised as revenues and the unguaranteed residual values;

b lease commitments receivable as at the reporting date;

c the accumulated allowance for uncollectable minimum lease payments receivable;

d contingent rentals recognised as revenues in the financial year; and

e a general description of the lessor's leasing arrangements.

2 Operating Leases

a for each class of asset:

 i the gross amount of leased assets as at the reporting date;

 ii accumulated depreciation as at the reporting date;

 iii accumulated write-downs to recoverable amount as at the reporting date;

 iv depreciation and write-downs recognised as an expense in the financial year;

 v reversals of write-downs recognised as revenues in the financial year;

b lease commitments receivable as at the reporting date;

c for non-cancellable operating leases, the future minimum lease payments classified into less than one year, one to five years and later than five years;

d contingent rentals recognised as revenues in the financial year; and

e a general description of the lessor's leasing arrangements.

AASB 1009: Construction Contracts (AAS 11)

Combining and Segmenting Construction Contracts

Construction contracts may be treated separately, grouped or split by separately identifiable components to reflect the substance of a contract or group of contracts, rather than the legal form. When considering the most appropriate treatment of construction contracts, consideration should be given to whether:

a separate proposals were submitted for each contract;

b each contract was subject to separate negotiations;

c costs and revenues from the construction of each item can be separately identified; and

d contracts are interrelated and performed/completed concurrently.

Contract Revenue

Revenue arising from a construction contract must be measured at the fair value of the consideration received or receivable by the contractor and comprises:

a amounts determined in accordance with the contract; and

b amounts arising from variations, claims and incentive payments where it is probable that conditions for receipt will be met and the amounts can be measured reliably.

Contract Costs

Costs arising from a construction contract include:

a costs that relate directly to the contract, (eg. the cost of securing the contract, direct materials, site labour, depreciation of plant and equipment used in the construction activity, costs of moving plant and equipment to and from a site, and expected warranty costs);

b costs that are related to construction activities in general and can be allocated to the contract on a reasonable basis (eg. insurance, design and technical assistance, payroll processing costs); and

c other costs that are specifically chargeable to the customer under the terms of the contract (eg. general administration and development costs).

Costs that do not form part of the contract costs include:

a general administration costs for which reimbursement is not specified in the contract;

b selling costs;

c research and development costs that are not directly related to the contract; and

d depreciation of idle plant and equipment that is not used in a particular contract.

Where the Contract Outcome Can Be Reliably Estimated

Where the outcome of a construction contract can be estimated reliably, revenues and expenses arising from the contract must be recognised in net profit or loss for the reporting period by reference to the stage of completion of the contract as at the reporting date. As such, revenues and expenses are recognised immediately where they relate to current construction activities, but where they relate to future activity, they should be recognised as an asset, where it is probable that such costs will be recovered in the future. However where the contract is expected to make a loss, the excess of total contract costs over total contract revenue, to the extent that it has not been recognised, must be recognised as an expense immediately.

For these calculations where total contract revenues or expenses is used and the estimates are revised, the changed estimates must be applied in determining the amounts of revenues and expenses recognised in the financial year of the change and subsequent financial years.

Estimated Reliably

The outcome of a contract can be estimated reliably when:

a in the case of a fixed price contract:

  i total revenues, costs to complete and stage of completion can be reliably estimated;

  ii it is probable that the economic benefits arising from the contract will flow to the contractor; and

  iii the costs can be clearly identified and compared with prior estimates.

b in the case of a cost plus contract:

  i it is probable that the economic benefits arising from the contract will flow to the contractor; and

  ii costs related to the contract, whether or not specifically reimbursable, can be clearly identified and measured reliably.

Stage of Completion

The stage of completion should be determined by using the method that measures reliably the work performed. Depending on the nature of the contract, the methods may include:

a the use of physical estimates;

b surveying work performed; and

c the cost method.

The commentary to the Standard suggests that progress payments and advances from customers often do not reflect the work performed under the contract and accordingly, would not normally be an appropriate method for determining the stage of completion.

Where Contract Outcome Cannot Be Reliably Estimated

Where the outcome of a construction contract cannot be reliably estimated:

a contract costs must be recognised as an expense in the financial year in which they are incurred; and

b where it is probable that the costs will be recovered, revenue must be recognised only to the extent of costs incurred.

Where the uncertainties about the outcome of a construction contract no longer exist, revenue and expenses associated with the contract must be recognised under the stage of completion method described above.

Disclosure Requirements

The following information must be separately disclosed:

a the aggregate amount of revenue arising from construction contracts recognised during the financial year;

b the methods used to determine the contract revenue recognised during the financial year;

c the methods used to determine the stage of completion of construction contracts in progress;

d the amount due from customers for contract work, as an asset; and

e the amount due to customers from contract work, as a liability.

For construction contracts in progress as at reporting date, the following amounts must be disclosed in aggregate:

a contract costs incurred and recognised profits (less recognised losses) to date;

b advances received;

c retentions; and

d consideration received and receivable as progress billings (including retentions) and advances received.

AASB 1010: Recoverable Amount of Non-Current Assets (AAS 10)

This Standard was issued in December 1999 and applies to reporting periods beginning on or after 1 July 2000.

Exclusions

Not–For–Profit Entities

This Standard does not apply to non-current assets of not-for-profit entities where the future economic benefits comprising those assets are not primarily dependent on the assets' ability to generate net cash inflows.

Measurement of Non-Current Assets on the Fair Value Basis

This Standard does not apply to non-current assets measured at fair value, net market value or net fair value as required or permitted by another Accounting Standard.

Inventory

This Standard does not apply to inventories.

Recoverable Amount

A non-current asset must be written down to its recoverable amount when its carrying amount is greater than its recoverable amount. However, where a group of assets working together supports the generation of net cash inflows relevant to the determination of recoverable amount, the net cash inflows must be estimated for the relevant group of assets and the recoverable amount test must be applied to the carrying amount of that group of assets.

"Recoverable amount" means, in relation to an asset, the net amount that is expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Community Service Obligations

Where, pursuant to legislation, ministerial directive or other government authority, non-current assets are used to provide goods or services at no charge, or at less than full cost recovery, those assets must be included in the group of assets that is dependent on the provision of those goods or services to enable it to generate net cash inflows. The net cash inflows must be estimated for that group of assets and the recoverable amount test must be applied to the carrying amount of that group of assets.

Accounting for Recoverable Amount Write-Downs

Where the carrying amount of a non-current asset or a group of non-current assets is written down to its recoverable amount, the decrement in that carrying amount must be recognised as an expense in net profit or loss for the reporting period in which the recoverable amount write-down occurs.

Disclosure Requirements

Where the carrying amount of a non-current asset or a class of non-current assets has been written down to its recoverable amount, the financial report must, in respect of each such non-current asset or class of non-current assets, disclose:

a. its carrying amount;
b. the recoverable amount write-down recognised during the reporting period; and
c. the assumptions made in respect of its recoverable amount.

Where some or all of the assets within a class of non-current assets have been written down to their recoverable amount during the reporting period or a previous reporting period, the financial report must disclose the aggregate carrying amount of each of the following:

a. assets within that class of non-current assets which are carried at that recoverable amount less, where applicable, any subsequent accumulated depreciation; and
b. any other assets within that class of non-current assets.

The financial report must, regardless of whether non-current assets have been written down to recoverable amount during the reporting period, disclose whether, the expected net cash flows included in determining the recoverable amounts of non-current assets have been discounted to their present value.

AASB 1011: Accounting for Research and Development Costs (AAS 13)

Research and development (R&D) is systematic investigation or experimentation which involves innovation or technical risk and is carried on for the purpose of acquiring new knowledge, or developing new products or significant improvement to existing products.

Elements of Costs to be included in Research and Development

R&D costs include cost of materials and services, salaries, wages and other personnel costs, depreciation of equipment and facilities, amortisation of patents and other costs directly attributable to R&D activities.

Accounting Requirements

R&D costs should be expensed as incurred except in relation to specific projects where future benefits are expected, beyond reasonable doubt, to be recoverable. R&D costs which did not previously meet the criteria for deferral and were recognised in net profit or loss may not be subsequently written back.

R&D costs carried forward should be reassessed annually and amortised in line with future benefits commencing from the commercial production or sale of the product. Grants received should be credited against the carrying amount.

Disclosure Requirements

The financial report must disclose:

a R&D costs recognised in net profit or loss for the reporting period (before crediting related grants);

b R&D costs incurred and deferred (before crediting related grants);

c deferred R&D costs, with accumulated amortisation shown as a deduction therefrom; and

d basis for amortising R&D costs.

AASB 1012: Foreign Currency Translation

Revised AASB 1012 "Foreign Currency Translation" was issued in November 2000 and applies to annual reporting periods beginning on or after 1 January 2002.

Foreign Currency Transactions

Each asset, liability, item of equity, revenue or expense arising from entering into a foreign currency transaction must be recognised and translated using the spot rate at the date of the transaction.

Foreign currency monetary items outstanding at the reporting date must be translated at the spot rate at the reporting date. Other items outstanding at the reporting date must not be retranslated subsequent to the initial recognition of the transaction.

Exchange differences must be recognised as revenues or expenses in net profit or loss/result in the reporting period in which the exchange rates change, except that:

a when an exchange difference arises in respect of a foreign currency monetary item which is directly attributable to the acquisition, construction or production of a qualifying asset, that difference, net of the effects of a hedge of the monetary item, must be capitalised as part of the cost of that asset in accordance with Accounting Standard AASB 1036 and Australian Accounting Standard AAS 34 "Borrowing Costs"; and

b Exchange differences relating to foreign currency monetary items forming part of the net investment in a self-sustaining foreign operation must be recognised as revenues or expenses in net profit or loss/result in the reporting period in which the exchange rates change. On incorporation of the foreign operation into the entity's financial report, the exchange differences, together with any income tax expense (income tax revenue) arising from such differences, must be eliminated against the foreign currency translation reserve.

Hedge Transactions

To be classified as a hedge, a transaction must:

a be designated at inception as a hedge; and

b while continuing to be classified as a hedge, be expected to be effective in mitigating possible adverse financial effects of movements in exchange rates resulting from the hedged transaction or anticipated hedged transaction.

In relation to transactions intended to hedge specific purchases or sales:

a costs or gains arising at the time of entering into the transactions; and

b exchange differences, to the extent that they arise up to the dates of purchase or sale,

must be deferred and included in the measurement of the purchases or sales.

Other costs or gains on entering the hedging transactions must be deferred and recognised as assets or liabilities and amortised as expenses or revenues in net profit or loss/result over the lives of the hedging transactions.

Early Termination of Foreign Currency Hedges

If a hedge of an anticipated purchase or sale is terminated early, and the anticipated transaction is still expected to occur as was specified when the hedge was designated, the deferred gains or losses that arose on the hedge prior to its termination must continue to be deferred and then included in the measurement of the purchase or sale when it takes place.

If a hedge of an anticipated purchase or sale is terminated early and the anticipated transaction is no longer expected to occur as was specified when the hedge was designated, the deferred gains or losses that arose on the hedge prior to its termination must be recognised as a revenue or an expense in net profit or loss/result as at the date of termination.

Hedges of Net Investments in Self-Sustaining Foreign Operations

Exchange differences arising from a hedge of a monetary item forming part of the net investment in a self-sustaining foreign operation must be recognised as a revenue or an expense in net profit or loss/result in the reporting period in which the exchange rates change. To the extent that the net investment is hedged, on incorporation of the foreign operation into the entity's financial report the exchange differences arising from the hedge must be eliminated against the foreign currency translation reserve, together with any income tax expense (income tax revenue) arising from such differences.

Translation of Financial Reports of Foreign Operations

The financial reports of a self-sustaining foreign operation must be translated as at the reporting date using the current rate method and any exchange differences must be recognised directly in the foreign currency translation reserve within equity and retained in the foreign currency translation reserve until the disposal, or partial disposal, of the foreign operation.

The financial reports of an integrated foreign operation must be translated as at the reporting date using the temporal method and any exchange differences must be recognised as revenues or expenses in net profit or loss/result in the reporting period in which they arise.

Reclassification of Foreign Operations

When a foreign operation ceases to be an integrated foreign operation and the current rate method is to be applied instead of the temporal method, exchange differences arising from translating non-monetary assets and liabilities at the current rate at the date of reclassification instead of at the historical rates must be recognised directly in the foreign currency translation reserve within equity.

When a foreign operation ceases to be a self-sustaining foreign operation and the temporal method is to be applied instead of the current rate method, the translated amounts of non-monetary assets at the date of reclassification must be regarded as the costs of those assets for the purposes of applying the temporal method.

Disposal of a Foreign Operation

On the disposal, or partial disposal, of a self-sustaining foreign operation or an integrated foreign operation previously classified as a self-sustaining foreign operation, that part of the balance of the foreign currency translation reserve which relates to the disposal, or partial disposal, must be transferred to retained profits (surplus) or accumulated losses (deficiency) by the entity in the reporting period in which the disposal, or partial disposal, is recognised.

Disclosure Requirements

The financial report must disclose the amount of the net exchange difference and gain or loss recognised as either a revenue or an expense in net profit or loss/result for the reporting period.

When there is a change in the classification of a foreign operation from self-sustaining to integrated or from integrated to self-sustaining, the financial report must disclose:

a the nature of the change in classification;

b the reason for the change;

c the net impact on equity of the change in classification; and

d the financial effect on the statement of financial performance for the current and preceding reporting periods had the change in classification occurred at the beginning of the preceding reporting period.

An entity incorporating in its financial report a self-sustaining foreign operation which reports to the parent entity in the currency of a hyperinflationary economy must disclose, as a result of the restatement of the financial report of the self-sustaining foreign operation:

a the gain or loss on net monetary items;

b the identity and level of the general price level index at the reporting date; and

c the movement in the general price level index during the reporting period.

AASB 1013: Accounting for Goodwill (AAS 18)

Accounting Requirements

Purchased goodwill is measured as the excess of purchase consideration plus incidental expenses over the fair value of the identifiable net assets acquired. Where the amount so calculated does not represent future benefits from unidentifiable assets, it is not goodwill and should be written off immediately.

Goodwill must be amortised on a straight line basis over a period of time (not exceeding 20 years) during which the benefits are expected to arise.

The unamortised balance of goodwill must be reviewed at each reporting date and written down to the extent that future benefits are no longer probable. In addition, the period over which goodwill is amortised must be reviewed at each reporting date and, if necessary, adjusted to reflect the amount and timing of future benefits (not exceeding 20 years).

Discounts on acquisition should be accounted for by reducing proportionately the fair values of the non-monetary assets acquired until the discount is eliminated. Where, after reducing the recorded amounts of the non-monetary assets acquired to zero, a discount balance remains it must be recognised as revenue in net profit or loss for the reporting period.

On acquisition of a subsidiary, the accounting treatment for purchased goodwill (including any amortisation thereof) and discount on acquisition must be effected as an adjustment in the consolidated financial statements and not in the subsidiary's or parent entity's financial statements.

Where there is a subsequent change in the cost of acquisition or additional assets or liabilities are identified, an adjustment shall be made to goodwill or discount on acquisition.

Internally generated goodwill should not be recognised in the financial statements and purchased goodwill cannot be revalued.

Disclosure Requirements

The financial report must disclose:

a unamortised balance of goodwill;

b amount of goodwill amortised during the financial year; and

c period over which goodwill is being amortised.

AASB 1014: Set–Off and Extinguishment of Debt (AAS 23)

Defeasance

A debt will be treated as extinguished when settled through repayment, legal defeasance or in-substance defeasance.

"Defeasance" means the release of a debtor from the primary obligation for a debt.

"Legal defeasance" occurs when the release of the debtor from the primary obligation is either acknowledged formally by the creditor or by a duly appointed trustee of the creditor, or established by legal judgement.

"In-substance defeasance" occurs through placing in trust assets adequate to meet the servicing requirements (both interest and principal) of a debt or by having a risk–free entity assume responsibility for those servicing requirements.

For a debt to be extinguished through defeasance, it must be highly improbable that the debtor will be required to assume again the primary obligation of the debt.

Where the carrying amount of an asset given up in defeasance of a debt differs from the carrying value of the liability, the difference is recognised in net profit or loss at the time of the defeasance.

When the conditions for an effective defeasance cease to be met, the remaining original debt is to be restated in the statement of financial position. For an in-substance defeasance employing a trust, the related assets remaining in the trust are also to be restated.

Set–off

An asset and a liability must be set off and the net amount recognised in the statement of financial position when, and only when, the entity:

a has a legally recognised right to set off the asset and the liability; and

b intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

A "right of set–off" means a right which:

a allows the entity to offset the amount owed to one entity against the amount owed by that or another entity; and

b is recognised at law.

Disclosure Requirements

The financial report must disclose:

a in the period in which defeasance takes place:

- i aggregate carrying amount of assets given up for purpose of defeasance;
- ii aggregate carrying amount of debt extinguished; and
- iii net gain or loss on defeasance; and

b details of any amounts defeased which are outstanding, and of any outstanding guarantees or indemnities given by or on behalf of the debtor.

AASB 1015: Acquisition of Assets (AAS 21)

Measurement of Acquired Assets

Where there is an acquisition, the acquired assets must be measured at the acquisition date at the cost of acquisition.

Where an entity or operation is acquired, the identifiable assets acquired (and, where applicable, identifiable liabilities assumed) must be measured at the acquisition date at their fair values as at the acquisition date. Any difference between the cost of acquisition and the aggregate of the fair values of the identifiable assets acquired (less, where applicable, the aggregate of the fair values of the identifiable liabilities assumed) must be accounted for in accordance with Accounting Standard AASB 1013 "Accounting for Goodwill".

Reconstructions within an Economic Entity

On 17 February 2000, the Senate disallowed paragraphs 6.3 and 6.4 of AASB 1015 relating to reconstructions within an economic entity. As an alternative to the fair value basis of measurement, the disallowed paragraphs permitted the acquirer to measure assets acquired at their carrying amounts determined in accordance with Accounting Standards immediately prior to the reconstruction.

Deferred Settlement

Where settlement of all or any part of any cash consideration to be given in an acquisition is deferred, the fair value of the cash consideration must be determined by discounting the amounts payable to their present value as at the acquisition date.

The discount rate used to determine the present value of the cash consideration must be the entity's incremental borrowing rate, being the rate applicable to the entity if finance for the acquisition were obtained from an independent financier under comparable terms and conditions to those in the purchase agreement.

Contingent Future Events

Where it is probable that the cost of acquisition will vary because it is contingent on one or more future events and the amount of the variation can be reliably measured at the acquisition date, the amount of the variation must be included in the cost of acquisition. Where the amount of the variation cannot be reliably measured at the acquisition date, the cost of acquisition must be adjusted when the amount of the variation can be reliably measured.

Costs of Issuing Equity Instruments

Transaction costs arising on the issue of equity instruments must be recognised by the issuer of those equity instruments directly in equity.

Disclosure Requirements

Where an acquisition results in the entity obtaining control of another entity or operation, the following must be disclosed:

a the name and a description of the entity or operation acquired;

b the acquisition date;

c any entities or operations disposed of, or that will be disposed of, as a result of the acquisition;

d where applicable, the percentage of voting shares acquired;

e the cost of acquisition and a description of the components of the cost of acquisition; and

f the nature and amount of any provisions for restructuring, including provisions for plant closure, that arise as a result of the acquisition and which are recognised as at acquisition date.

Where an acquisition that results in control of an entity or operation being obtained occurs after the reporting date but before the time of completion of the financial report, the following information must be disclosed:

a the name and a description of the entity or operation acquired;

b the acquisition date ;

c where applicable, the percentage of voting shares acquired; and

d the cost of acquisition and a description of the components of the cost of acquisition.

Where an acquisition that results in control of an entity or operation being obtained occurs after the reporting date but before the time of completion of the financial report, the following information must be disclosed unless it is impracticable to do so:

a any entities or operations disposed of, or that will be disposed of, as a result of the acquisition; and

b the nature and amount of any provisions for restructuring, including provisions for plant closure, that arise as a result of the acquisition.

Where it is impracticable to disclose this information, that fact must be disclosed.

AASB 1016: Accounting for Investments In Associates (AAS 14)

Accounting Requirements

"Associate" means an investee, not being a subsidiary or partnership of the investor or an investment acquired and held exclusively with a view to disposal in the near future, over which the investor has significant influence (ie. the capacity to effect substantially the financial and/or operating policies of an investee).

The equity method of accounting must be used to measure the carrying amount of investments in associates, except where the net market value method (ie. mark to market) has been adopted in accordance with another Accounting Standard. The equity method of accounting is applied to the consolidated financial statements (not the parent/company column). Investments in associates are recognised in the parent entity financial statements using the historical cost method. However, if an investor does not prepare consolidated financial statements, the equity method of accounting is applied to the single entity financial statements.

The equity accounted amount of an investment in an associate is increased/decreased by the:

a investor's share of any post acquisition profit/loss in relation to the financial year after adjustments for distributions to preference equityholders, depreciation and amortisation adjustments arising on acquisition, dissimilar accounting policies and certain inter-entity transactions (recognised in the investor's profit and loss);

b dividends received or receivable from the associate; and

c investor's share of post acquisition increments/decrements in the associate's total reserves in relation to the financial year, to the extent that the amounts of these movements have not been recognised previously in net profit or loss of the associate, or otherwise reflected in the carrying amount of the investment (recognised in the investor's reserves).

However, the carrying amount of the investment must not exceed its recoverable amount, with any write-downs recognised in net profit or loss for the reporting period. The write-down must be reversed in subsequent years to the extent that recoverable amount, at the subsequent reporting date, exceeds the written-down carrying amount.

The Standard also prescribes accounting methodology to be applied in the event of an investee becomes an associate subsequent to initial acquisition, dissimilar accounting policies, different balance dates, inter-entity transactions, discontinuation of the equity method of accounting, cross-holdings, changes in investor's ownership interest and transitional provisions for the first year of application.

Disclosure Requirements

The investor shall disclose in aggregate, for all equity accounted investments in associates, each of the following items:

a investor's share of the associates' profit from ordinary activities before income tax, income tax relating to ordinary activities and extraordinary items (net of income tax);

b investor's share of retained profits/accumulated losses and other reserves at the beginning and end of the reporting period;

c a schedule setting out the movements in the carrying amount of investments in associates, separately identifying the carrying amount as at the beginning and end of the reporting period, and the amounts of new investments, disposals, share of profit/loss, dividends and other movements;

d the financial effect of events or transactions which have occurred after the reporting date of an associate which could materially affect the financial position or operating performance of that associate for the next reporting period; and

e where adjustments to eliminate the effect of dissimilar accounting policies cannot be made, the nature of the dissimilarities.

In addition, the investor shall disclosure:

a for each investment in an associate:
   - i name and principal activities;
   - ii investor's ownership interest;
   - iii investor's voting power;
   - iv the carrying amount of the investment; and
   - v reporting date of the associate;

b the amount of the investor's share of associates' contingent liabilities, capital commitments contracted for and other expenditure commitments contracted for, other than for the supply of inventories;

c the amount of the investor's contingent liabilities that arise because the investor is severally liable for all the liabilities of an associate;

d where there are crossholdings, the percentage of equity held by the associate; and

e where investments in associates, either individually or in aggregate, are material to an evaluation of the operating performance and financial position of the investor, a summarised presentation of the recognised amounts of assets, liabilities and profit or loss of associates, either individually or in aggregate, as appropriate.

AASB 1017: Related Party Disclosures (AAS 22)

Key Definitions

A "related party" is widely defined and includes any other entity that, at any time during the financial year:

a has control or significant influence over the entity;

b is subject to control or significant influence by the entity;

c is controlled by the same entity that controls or significantly influences the entity; or

d is significantly influenced by the same entity that controls the entity.

"Related party" also includes:

e any director of the entity, or any of their director-related entities; or

f any director of any other entity identified as a related party under any of paragraphs (a) to (d), or any of their director-related entities.

A "director-related entity" means, in relation to particular directors, spouses, relatives of directors or spouses, and any entity under the joint or several control, or significant influence of such directors, spouses or relatives.

Materiality

Director-related disclosures required by this Standard are deemed material regardless of the quantum of the amounts involved.

Disclosure Requirements

1 Names of directors in office at any time during the financial year.

2 Directors' remuneration and retirement benefits.

3 Aggregate of loans in existence at the reporting date, guaranteed or secured by the reporting entity to directors of the reporting entity or of any entity identified as a related party, and the spouses or relatives of such directors.

Where such loans are in existence at the reporting date, the aggregate amounts advanced and repayments received during the financial year in relation to such loans, and the names of the directors concerned must also be disclosed.

4 Information in relation to the aggregate number of shares, units, options and other equity instruments acquired and/or disposed during the financial year, and held as at the reporting date, by directors of the reporting entity and their director-related entities in any entity in the economic entity.

5 The financial statements shall disclose the following information, showing separately transactions with:

- Directors or director-related entities;
- Related parties in a wholly-owned group; and
- Other related parties

a Where there have been transactions with related parties:

i each different type of transaction;

ii nature of terms and conditions of each different type of transaction; and

iii for each combination of type of transaction and nature of terms and conditions involving:

- directors or director-related entities:
  . the name of the directors concerned; and
  . the aggregate amount recognised in the financial statements;
- related parties in the wholly-owned group (amounts recognised in the financial statements do not require disclosure);
- other related parties:
  . the classes of related parties involved, class determined on basis of related party relationship; and
  . the aggregate amount recognised in the financial statements (individual material transactions should be disclosed separately).

b Aggregate of the following transactions with each class of related party:

i interest revenue;

ii dividend revenue;

iii interest expense; and

iv provision for doubtful receivables and writedowns of receivables;

c The aggregate amounts of debts other than trade debts, classified into current and non-current, due and receivable from and payable to:

i in respect of balances with entities within the wholly-owned group:

- the ultimate parent entity within the wholly-owned group; and

- any wholly-owned subsidiaries of that parent entity;

ii in respect of balances with other related parties:

. the ultimate parent entity of the reporting entity;

. any subsidiary of the ultimate parent entity; and

. any other related party;

d Aggregate amounts receivable from or payable to each class of related party, classified into current and non-current;

e Aggregate amount of provision for doubtful receivables from related parties, classified into current and non-current; and

f The percentage of equity interest held in each related party, directly and indirectly, in the form of:

i shares;

ii units;

iii share options;

iv unit options; and

v other equity instruments, classified by nature.

Consolidated Financial Statements

Where consolidated financial statements are prepared for an economic entity, the disclosure requirements of paragraphs 5(a) to (f) do not apply in respect of those transactions between a parent entity and its subsidiaries or between subsidiaries that have been eliminated for consolidation purposes.

Disclosure by General Description

Transactions with and amounts receivable from and payable to:

a directors of the entity or their director-related entities; and

b directors of related parties or their director-related entities,

which:

i occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those which it is reasonable to expect the entity would have adopted if dealing with the director or director-related entity at arm's length in the same circumstances;

ii do not have the potential to adversely affect decisions about the allocation of scarce resources made by users of the financial statements, or the discharge of accountability by the directors, if disclosed in the financial statements by general description; and

iii are trivial or domestic in nature,

are excluded from the disclosure requirements of paragraphs 5(a) to (f). Such transactions shall be disclosed in the financial statements by general description.

Disclosure of Controlling Entities

The identity of the ultimate holding company or controlling business undertaking in the wholly-owned group and, if different, the identity of the ultimate Australian holding company or controlling business undertaking and, if different, the identity of the ultimate holding company.

AASB 1018: Statement of Financial Performance

This Standard applies to each entity that is required to prepare a financial report under Chapter 2M of the Corporations Act 2001.

Prescribed Format

The Standard prescribes the basic format of the statement of financial performance, including the disclosure on the face of the statement of financial performance of:

a revenues and expenses arising from ordinary activities;

b the net amount of extraordinary items;

c revenues, expenses and valuation adjustments recognised directly in equity; and

d additional line items, sub-headings and sub-totals.

Classification and Disclosure of Expenses

Expenses arising from ordinary activities are to be classified either all by nature (eg. depreciation, employee entitlements) or all by function (eg. cost of goods sold, administration expenses) and each class must be disclosed either on the face of the statement of financial performance or by way of note to the financial statements. The commentary to the Standard encourages each class of expense to be presented on the face of the statement of financial performance. Where disclosure is made in the notes to the financial report, the standard requires a reconciliation between the expenses disclosed on the face of the statement of financial performance and the classification of expenses by nature or by function disclosed in the notes.

In addition, the standard clarifies that regardless of whether expenses are classified all by nature or all by function, the notion of materiality in Accounting Standard AASB 1031 and Australian Accounting Standard AAS 5 “Materiality” applies to the classification of expenses. Each material class should be separately disclosed and hence, it follows that the total of unclassified expenses is unlikely to exceed 10 per cent of total expenses.

Where revenue from the sale of goods is disclosed in the financial report in accordance with the disclosure requirements of AASB 1004/AAS 15 “Revenue”, the cost of sales relating to the sale of those goods must also be disclosed. This disclosure of cost of sales must be made irrespective of whether expenses are disclosed by way of nature or function in accordance with other requirements of the Standard.

Significant Items

When a revenue or an expense from ordinary activities is of such a size, nature or incidence that its disclosure is relevant in explaining the financial performance of the entity for the reporting period, its nature and amount must be disclosed separately either on the face of the statement of financial performance or in the notes to the financial report.

Extraordinary Items

Revenues and expenses recognised in net profit or loss must be classified as having arisen from ordinary activities, unless they are considered to be extraordinary items.

An item can only be regarded as extraordinary where it is outside the ordinary activities of the entity and is not of a recurring nature.

“Ordinary activities” is defined as “activities that are undertaken by an entity as part of its business or to meet its objectives and related activities in which the entity engages in furtherance of, incidental to, or arising from activities undertaken to meet its objectives”.

Additional Line Items, Sub-headings and Sub-totals

Additional line items, sub-headings and sub-totals must be separately disclosed when required by a Standard or when necessary for an understanding of an entity’s financial performance, provided that:

a any such sub-totals are presented before sub-totals required to be presented by AASB 1018;

b any such sub-totals are presented less prominently than sub-totals required to be presented by AASB 1018; and

c a sub-total referring to profit or loss/result is not presented immediately before the items required to be disclosed by paragraph 5.4 (paragraph 5.4 relates to disclosure of specific revenue and expenses that are significant).

Revision of Accounting Estimates

Where the revision in an accounting estimate affects the current reporting period only, the effect of the revision must be recognised as revenue or an expense in the statement of financial performance in the reporting period in which the accounting estimate is revised.

Where the revision in an accounting estimate affects both the current and future reporting periods, the effect of the revision must be recognised as revenue or an expense in the statement of financial performance in the reporting period of the revision and in future reporting periods.

Accounting estimates recognised in prior reporting periods must not be revised with retrospective effect to prior reporting period financial statements. The commentary to the revised Standard indicates that retrospective adjustment is not considered appropriate on the basis that a revision of an accounting estimate is not an error, and accordingly cannot bring the adjustment within the definition of a fundamental error.

Errors Made in Prior Periods

An error made in a prior reporting period must be corrected in the reporting period in which the error is discovered unless the entity has amended and reissued the financial report relating to the prior reporting period. Where the correction of an error gives rise to revenue or an expense, that revenue or expense must be recognised in the statement of financial performance in the reporting period in which the error is discovered.

Fundamental Errors

"Fundamental errors" are defined as "material errors discovered in the current reporting period such that the financial report of one or more prior reporting periods cannot now be considered to have been reliable at the dates of their issue".

Fundamental errors must be corrected in the reporting period in which they are discovered unless the entity has amended and reissued the financial report relating to the prior reporting period.

Where a fundamental error has been corrected in the current reporting period, the financial report must disclose:

a the nature of the fundamental error;

b on the face of the statement of financial performance as a separate line item, the revenue or expense arising from the correction of the fundamental error and the related income tax expense; and

c in the notes to the financial report, restated comparative financial information (where practicable only) and the amount of the correction of the fundamental error relating to prior reporting periods.

AASB 1019: Inventories (AAS 2)

This Standard does not apply to inventories that:

a are self-generating and regenerating assets;

b arise under construction contracts and are accounted for under AASB 1009; or

c are financial instruments.

Inventory Measurement

Inventories are to be valued at the lower of cost and net realisable value. Cost of inventories is determined using full absorption costing and costs shall be assigned using one of the following methods:

a specific identification;

b average cost (weighted); or

c first in and first out (FIFO).

Standard costs may only be used, to determine the cost of inventories, where such standard costs are realistically attainable and are reviewed regularly. At year end it may be necessary to adjust inventories for a proportion of cost variances caused by significant changes in assumptions underlying the standards.

Disclosure Requirements

The financial statements shall disclose:

a the accounting policies adopted for measuring inventories, including the method or methods used to assign costs;

b the aggregate carrying amount of inventories;

c the carrying amount of inventories classified as current and non-current assets and further sub-classified in a manner appropriate to the entity's operations;

d the carrying amount of inventories in each of the sub-classifications that have been measured at net realisable value;

e the aggregate write-downs and other losses recognised as an expense;

f the aggregate reversals of write-downs recognised as a reduction of an expense;

g the circumstances or events that led to the reversal of write-downs of inventories; and

h the carrying amount of inventories pledged specifically and separately from the other assets of the entity as security for liabilities, and the nature of the security.

AASB 1020: Accounting for Income Tax (Tax–effect Accounting) (AAS 3)

Key Definitions

"Income tax expense" means the amount of income tax which would be payable on the pre-tax accounting profit adjusted for permanent differences.

"Income tax payable" means the amount of income tax calculated on the taxable income of the company for the financial period.

"Timing differences" are items assessable/deductible for tax purposes in a different period than that for accounting purposes.

Determination of FITB and PDIT

A Provision for Deferred Income Tax (PDIT) is caused by expense items presently deductible for tax purposes but deferred for accounting purposes, and/or revenue item currently non-assessable for tax purposes but included for accounting purposes.

Future Income Tax Benefits (FITB) are caused by revenue items currently assessable for tax purposes but deferred for accounting purposes and/or expense items currently expensed for accounting purposes but presently non-deductible for tax purposes.

FITBs in respect of timing differences should only be carried forward as an asset where realisation of the benefit can be assured beyond reasonable doubt. A FITB in respect of tax losses should not be carried forward as an asset unless realisation of the benefit is virtually certain.

A PDIT shall be offset against a FITB to the extent the tax is likely to become payable in the period the FITB is expected to become realisable. However, the PDIT of one company cannot be offset against the FITB of another on consolidation.

Allowance should be made for overseas withholding tax in relation to profits and reserves of branch operations or subsidiaries, unless it is intended to leave those profits and reserves indefinitely with the branch or subsidiary.

The FITB and PDIT should be adjusted for changes in tax rates with a corresponding entry to profit and loss.

Disclosure Requirements

The financial reports must disclose:

a the general nature of material permanent differences and their effect on the income tax expense (by way of note);

b any part of a FITB carried forward attributable to income tax losses;

c the extent to which the PDIT has been reduced by FITBs attributable to tax losses; and

d the extent to which a FITB attributable to income tax losses has not been recognised as an asset or as a reduction in the PDIT and where there is a possibility that such losses will be recouped, a statement that the benefit will only be obtained if:

 i the company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for loss to be realised;

 ii the company continues to comply with the conditions for deductibility imposed by tax legislation; and

 iii no changes in tax legislation adversely affect the company in realising the benefit from the deductions for the loss.

Revised Standard AASB 1020 "Income Taxes" (AAS 3)

A revised version of AASB 1020 "Income Taxes" was issued in December 1999 and was initially required to apply to half-years ending on or after 31 December 2002 and financial years ending on or after 30 June 2003. In November 2002, AASB 1020B "Amendments to Accounting Standard AASB 1020 and Australian Accounting Standard AAS 3" was issued which amended the application date of AASB 1020 to half-years ending on or after 30 June 2005 and financial years ending on or after 31 December 2005.

The revised Standard adopts the comprehensive balance sheet method of accounting for income taxes, which is a significant change from the "profit and loss" or "income statement" method adopted by the superseded Standard.

The main features of the revised Standard are as follows:

Key Definitions

"Current tax" means the amount of income taxes payable (recoverable) in respect of the taxable amount (or recoverable from a tax loss) for a reporting period

"Deferred tax" means changes in the deferred tax liability or asset that occur in a reporting period (other than those arising from the translation of deferred tax balances of foreign operations, which are treated in accordance with AASB 1012 "Foreign Currency Translation").

"Deferred tax asset" means the amount of income tax recoverable in future reporting periods.

"Deferred tax liability" means the amount of income tax to be settled in future reporting periods.

"Tax base" means the amount attributed to an asset or a liability for tax purposes.

"Temporary difference" means the difference between the carrying amount of an asset or a liability in the statement of financial position and its tax base.

Tax Bases

The tax base of an asset is calculated as the asset's carrying amount at reporting date less any future assessable amounts plus any future deductible amounts that are expected to arise from recovering the asset's carrying amount as at the reporting date.

The tax base of a liability is calculated as the liability's carrying amount at reporting date less any future deductible amounts and plus any assessable amounts that are expected to arise from settling the liability's carrying amount as at the reporting date. Where the liability is in the nature of "revenue received in advance", the tax base of the liability is calculated as the liability's carrying amount less any amount of the revenue received in advance that has been included in assessable amounts in the current or previous reporting period.

Temporary Differences

Temporary differences arise from differences between the carrying amount and tax base of assets and liabilities. Temporary differences are either assessable or deductible depending upon whether they increase or decrease taxable income in the future. Where the carrying amounts of assets and liabilities in the statement of financial position are greater than their respective tax bases, realising assets would lead to assessable temporary differences and settling liabilities would lead to deductible temporary differences. Where the carrying amounts of assets and liabilities in the statement of financial position are less than their respective tax bases, realising assets would lead to deductible temporary differences and settling liabilities would lead to assessable temporary differences.

Current Tax Balances – General Principles

Current tax is the amount of tax paid or payable to tax authorities for each period. The current tax liability is generally equivalent to the provision for income tax recognised in the superseded AASB 1020 "Accounting for Income Tax (Tax–effect Accounting)".

Measurement of Current Tax Balances

Current tax liabilities and assets are measured at nominal amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the reporting date, except where another Standard requires or permits a different measurement method to be adopted.

Recognition of Current Tax Balances

To the extent that it is unpaid, current tax for the current and prior reporting periods must be recognised as a liability. Where payments already made exceed current tax payable, the recoverable excess must be recognised as an asset.

Current tax expense or revenue must be recognised in the profit or loss, except where it relates to an item recognised directly in equity or arises on acquisition.

Deferred Tax Balances – General Principles

In accordance with the revised Standard, the future tax consequences of transactions and other events recognised in the entity's statement of financial position give rise to deferred tax assets and liabilities. Deferred tax assets and liabilities are calculated by multiplying temporary differences with the relevant tax rates. Deferred tax assets may also arise from unused tax losses, measured with reference to the relevant tax rates.

Measurement of Deferred Tax Balances

Deferred tax assets and liabilities must be measured at the tax rates expected to apply to the reporting period or periods in which the assets will be recovered or the liabilities settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

Recognition of Deferred Tax Balances

Deferred tax assets arising from deductible temporary differences and unused tax losses are recognised in the statement of financial position to the extent, and only to the extent, it is probable that future taxable amounts within the entity will be available against which these deductible temporary differences or unused tax losses can be utilised. Deferred tax liabilities arising from all assessable temporary differences are recognised in the statement of financial position.

Other Requirements

The revised Standard also contains extensive requirements and guidance in relation to the following matters:

a the circumstances whereby current and deferred tax arising in an accounting period must be directly debited or credited to equity;

b the calculation and recognition of deferred tax balances relating to:

- i fair value adjustments on the acquisition of an entity or operation;
- ii assets that are revalued;
- iii acquisition of goodwill;
- iv initial recognition of assets and liabilities;
- v investments in subsidiaries, branches, associates and joint ventures;
- vi translation of integrated foreign operations; and
- vii initial recognition of compound financial instruments; and

c the presentation of current and deferred tax balances in the statement of financial position, including the circumstances in which such balances may be set-off.

AASB 1021: Depreciation (AAS 4)

Bringing to Account the Depreciable Amount

Depreciable assets should be depreciated by means of a systematic charge over their estimated useful lives, commencing from the time they are put into use or held ready for use. Depreciation rates should be reviewed annually, having regard to expected useful lives.

"Useful life" means the period of time (or estimated total service in terms of units of production) in which the benefits embodied in a depreciable asset are expected to be consumed or obtained by the entity.

Cost (or revalued amount) should be apportioned between freehold land and any buildings thereon. That part relating to buildings must be depreciated. Leasehold improvements should be depreciated over the unexpired lease period or useful lives of the improvements, whichever is the lesser.

Changes to Depreciation Rates and Methods

When depreciation rates or methods are changed, the change must be accounted for as a change in accounting estimate. Where depreciation rates or methods are changed, the net written down value of the asset is simply depreciated from the date of change in accordance with the new depreciation rate or method. Depreciation recognised in prior financial years must not be changed (i.e. the change in depreciation rate or method must be accounted for on a prospective basis).

Retirement or Disposal of Depreciable Assets

The gain or loss on the disposal or retirement of a depreciated asset must be recognised in net profit or loss for the reporting period and is calculated as the difference between:

a accumulated depreciation and cost (or revalued amount); and

b any proceeds on disposal.

Disclosure Requirements

In the statement of financial position, accumulated depreciation should be deducted from the asset or class to which it relates.

For each class of depreciable asset, the financial report must disclose:

a the depreciation methods used;

b the useful lives or the depreciation rates used;

c the aggregate amount of depreciation allocated, whether recognised as an expense or as part of the carrying amounts of other assets during the financial year; and

d the gross amount of depreciable assets and the related accumulated depreciation.

Where the depreciation charges for any financial period have changed materially because of:

a re-assessment of useful lives;

b changes in depreciable amounts caused by a revaluation of the asset; or

c changes in depreciable amounts following a re-appraisal of net amounts expected on disposal,

the financial report shall disclose the financial effect of that change.

Consistent with AASB 1001, where there is a change in a depreciation method which has or will have a material effect on the financial statements, the nature of the change, the reason for the change and its financial effect must be disclosed.

AASB 1022: Accounting for the Extractive Industries (AAS 7)

Accounting Requirements

Costs arising from exploration and evaluation of an area of interest shall be written off as incurred, except that they may be carried forward if either:

a the costs are expected to be recouped through successful development and exploitation; or

b exploration and evaluation activities have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in the area are continuing.

Development costs shall be carried forward to the extent they are expected to be recouped through successful exploitation of an area of interest or its sale. Construction costs for facilities in the nature of depreciable assets are to be accounted for in accordance with AASB 1021.

When an area of interest is abandoned all carried forward costs must be written off.

Carried forward costs are to be amortised over the life of the area of interest (ie period in which economically recoverable reserves in area of interest are expected to be depleted or period of lease or permit, whichever is less) on a production basis, unless a time usage basis is more appropriate. Amortisation is to be reviewed annually with regard to economically recoverable reserves and development costs still to be incurred.

Cost of restoration work necessitated by a particular phase shall be provided for at the time of such activities and shall form part of the cost of that respective phase.

Inventories shall be recognised in the financial statements at the earliest stage at which materials representing, or expected to be converted by further processing to, a saleable product can be measured with reliability and the quantities of such materials can be determined by physical measurement or reliable estimate.

Sales revenue should not be recognised until the product is in its final form, has been delivered and all risks of ownership have passed from the vendor. Proceeds of sale dependent on assays or tests after delivery are to be recognised using the most reliable estimates available.

Disclosure Requirements

The financial report must disclose:

a exploration, evaluation and development costs written off;

b amortisation charge of exploration, evaluation and development costs carried forward;

c government royalties paid/payable on sales or production;

d costs carried forward in relation to exploration/evaluation with explanation that costs will only be recouped on successful exploitation or sale of the area;

e development costs carried forward with explanation that amortisation is not being charged pending commencement of production;

f costs carried forward in areas where production has commenced less accumulated amortisation; and

g government subsides received/receivable and any circumstances in which they may become repayable.

AASB 1023: Financial Reporting of General Insurance Activities (AAS 26)

This Standard only applies to the general insurance activities and does not apply to accounting for life insurance, medical benefits insurance or self-insurance.

Premiums

Premium revenue must be recognised from the attachment (acceptance of risk) date as soon as the amount of the premium can be reliably measured.

Premium revenue must be recognised in accordance with the pattern of the incidence of risk or, where the result will not be materially different, evenly over the period of the policy (for direct insurance) or period of indemnity (for reinsurance).

Claims

Outstanding claims shall be recognised as a liability for both direct business and inwards reinsurance business and must be measured as the present value of the expected future payments.

Assets

Investments, that are integral to the general insurance activities, must be measured at net market values as at the reporting date. Any increments or decrements in value must be recognised as revenues or expenses in net profit or loss for the reporting period. Land and buildings must be accounted for as investments and the revaluation and depreciation requirements of Accounting Standards AASB 1041 and AASB 1021 do not apply to such investments.

Assets other than investments (operating assets) that are integral to the general insurance activities are to be measured at the lower of cost and recoverable amount, subject to the requirements of accounting standards AASB 1010 and AASB 1021.

Other Accounting Requirements

The Standard also specifies the accounting methods for levies and charges, reinsurance premiums, portfolio transfers and underwriting pools and co-insurance. The transitional provisions of the Standard permit adjustments to retained profits or accumulated losses at the beginning of the reporting period.

Disclosure Requirements

The Standard specifies numerous detailed disclosure requirements. The main requirements are:

a in the statement of financial position, disclosure of the following items, classified into current and non-current categories:
 - i investments by class of investments;
 - ii operating assets by class of asset;
 - iii deferred acquisition costs;
 - iv reinsurance and other recoveries receivable;
 - v liability for outstanding claims; and
 - vi unearned premiums.

b in the statement of financial performance, disclosure of:
 - i the following items of revenue or expense:
   - – direct premium revenue;
   - – inwards reinsurance premium revenue (including retrocessions);
   - – reinsurance and other recoveries revenue;
   - – investment revenue and expense, and its individual components;
   - – direct claims expense;
   - – reinsurance claims expense;
   - – outwards reinsurance premium expense (including retrocessions); and
   - – acquisition costs expense;
 - ii the amount by which deferred acquisition costs have been written down during the financial year to recoverable amount due to the insurer experiencing an unprofitable aggregate portfolio of insurance business, and the circumstances surrounding that unprofitable business; and
 - iii the underwriting result for the financial year, determined as the amount obtained by deducting the sum of claims expense, outwards reinsurance premium expense and underwriting expenses from the sum of direct and inwards reinsurance premium revenues and recoveries revenue;

c net claims incurred, showing separately the amount relating to risks borne in the current financial year and the amount relating to a reassessment of risks borne in all previous financial years, and the components:
 - i gross claims incurred (undiscounted);
 - ii reinsurance and other recoveries (undiscounted); and
 - iii discount movements shown separately for claims and reinsurance; and

d segment information in accordance with Accounting Standard AASB 1005 “Segment Reporting”.

AASB 1024: Consolidated Accounts (AAS 24)

Preparation of Consolidated Financial Statements

Consolidated financial statements are prepared by combining the financial statements of the parent entity and each of its subsidiaries, where “Parent entity” means an entity which controls another entity, and “Subsidiary” means an entity which is controlled by a parent entity.

Therefore, the concept of “control” is the basis for determining what entities should be consolidated, where “Control” is defined as the capacity of an entity to dominate decision making, directly or indirectly, in relation to the financial and operating policies of another entity so as to enable the other entity to operate with it in pursuing the objectives of the controlling entity.

Subsidiaries are to be included in the consolidated financial statements of the economic entity as from the date on which the parent entity obtains control of each of the subsidiaries until such time as the parent entity ceases to control each of the subsidiaries. Where a parent entity's loss of control of a subsidiary occurs during a financial year, the consolidated statement of financial performance shall include the results of the subsidiary for that part of the financial year during which the parent entity had control of the subsidiary.

Dissimilar Accounting Policies

Where the accounting policies adopted by entities within the economic entity are dissimilar and are not required by another Accounting Standard, adjustments to achieve consistency shall be made in preparing the consolidated financial statements.

Sale of an Ownership Interest in a Subsidiary

Loss of Control of the Subsidiary

Where the parent entity loses control of a subsidiary as a result of the sale of an ownership interest, the gain or loss recognised on the sale, in the consolidated financial statements is adjusted by the net post-acquisition movement to the date of sale in the retained profits or accumulated losses and reserves of the subsidiary.

Retention of Control of the Subsidiary

Where an ownership interest in a subsidiary is sold and the parent entity retains control of that subsidiary, the gain or loss recognised on the sale in the consolidated financial statements is adjusted by the net pre-acquisition retained profits or accumulated losses and reserves of the subsidiary relating to the portion of the ownership interest sold.

Outside Equity Interest

Outside equity interest is equity in the economic entity other than that attributable to the ownership group of the parent entity and is described as such and disclosed as an equity item in the consolidated statement of financial position, disclosing separately the capital, retained profits or accumulated losses and reserves.

The consolidated statement of financial performance disclose separately the portion of net profit of the economic entity attributed to outside equity interests.

Disclosure Requirements

The consolidated financial statements must disclose, by way of note:

a the identity of the parent entity within the economic entity and, if the economic entity is part of one or more larger economic entities, the identity of the ultimate parent entity in Australia and, if different, the identity of the ultimate parent entity;

b the identity and, where applicable, country of incorporation of each subsidiary within the economic entity, indicating those which have become part of the economic entity during the financial year;

c the identity of any entity which has ceased to be part of the economic entity during the financial year, the ownership interest, if any, which the parent entity retains in that entity and the aggregate gain or loss for the economic entity arising from those cessations;

d the identity of any subsidiary in which the parent entity holds an ownership interest and/or voting rights of 50 percent or less, together with an explanation of how control exists;

e the identity of any entity in which the parent entity holds an ownership interest of more than 50 percent but which is not a subsidiary of that parent entity, together with an explanation of why control does not exist; and

f the respective gain or loss, if any, made by the parent entity and the outside equity interest on new issues of shares by subsidiaries.

AASB 1025: Application of the Reporting Entity Concept and other Amendments

Purpose

The purpose of this Standard is to make amendments to certain Accounting Standards to:

a revise their citations;

b revise their interpretation provisions;

c revise their application provisions;

d require their application to financial statements where such application is of a material consequence;

e introduce or amend definitions; and

f introduce or amend transitional provisions to be applied when a company becomes a reporting entity.

Major Amendments

The title and citation clause of all existing approved Accounting Standards have been amended by substituting the acronym "AASB" for the acronym "ASRB".

The application of all existing Accounting Standards has been amended so that the Standards apply only to each company that is a reporting entity, and to each company which is a parent entity in an economic entity which is a reporting entity and where the application is of a material consequence.

Reference should be made to Part 1 of this guide in relation to the principles of differential reporting.

AASB 1026: Statement of Cash Flows (AAS 28)

Preparation of a Statement of Cash Flows

A "Statement of Cash Flows" so titled is to be prepared and included in the financial report.

The statement of cash flows discloses separately the gross cash inflows and outflows for the financial year. However, cash flows arising from items where turnover is quick, the amounts are large and the maturities are short, and the holding and disbursing cash on behalf of customers may be reported on a net basis. In addition, financial institutions may disclose cash flows arising from the following transactions on a net basis:

a cash receipts and payments for the acceptance and repayment of deposits with a fixed maturity date;

b the placement of deposits with and withdrawal of deposits from other financial institutions; and

c cash advances and loans made to customers and the repayment of these advances and loans.

The amounts of cash at the beginning and end of the year must be separately disclosed, with cash as at the end of the year reconciled to the related items in the statement of financial position. The financial report must disclose the policy adopted for determining which items are classified as cash in the statement.

Classification

Cash flows of the company or economic entity must be classified as arising from operating, investing or financing activities.

"Operating activities" are those activities which relate to the provision of goods and services and other activities that are neither investing nor financing activities.

"Financing activities" are those activities which relate to changing the size and/or composition of the financial structure of the entity, ie., borrowings and equity.

"Investing activities" are those activities which relate to the acquisition and/or disposal of non-current assets and other productive assets, and investments not falling within the definition of cash.

Cash Flows to be Highlighted

The following cash flows, appropriately classified, are disclosed separately in the statement of cash flows:

a interest and other items of a similar nature received;

b dividends received;

c borrowing costs, including interest and other costs of finance, paid;

d dividends paid; and

e extraordinary items.

Also, cash flows relating to income taxes must be separately disclosed in the statement of cash flows and classified as arising from operating activities unless they can be specifically identified with investing and financing activities. Where cash flows relating to income taxes are allocated to more than one category the financial statements must separately disclose the total amount of income taxes to be paid during the period.

Cash Flows from Operating Activities

Cash flows from operating activities are presented using the direct method, where cash inflows and cash outflows are reported in gross terms, except to the extent that certain cash flows (as identified above) are permitted to be reported on a net basis.

A note reconciling cash flows from operating activities to profit from ordinary activities after related income tax must be prepared.

Acquisitions and Disposals of Entities

The following shall be separately disclosed, but may be presented in aggregate for all entities acquired:

a purchase price of the entities acquired;

b the portion of the purchase prices discharged in cash;

c the amounts of cash held by the entities acquired as at acquisition date; and

d the amounts of the other assets and liabilities of the entities acquired as at acquisition date, summarised by nature or function.

The following shall be separately disclosed, but may be presented in aggregate for all entities disposed:

a the consideration received;

b the portion of the consideration received in cash;

c the amounts of cash held by the entities disposed of as at the disposal date; and

d the amounts of other assets and liabilities of the entities disposed of as at the disposal date, summarised by nature or function.

Information about Non–Cash Financing and Investing Activities

Non-operating transactions and other events involving external parties which do not result in cash flows during the year but affect assets and liabilities must be disclosed in the financial report.

Other Disclosures

The financial report must disclose separately the following information as at the end of the financial year:

a details of credit standby arrangements, including the nature of each arrangement and the total amount of credit unused;

b a summary of used and unused loan facilities and the extent to which these can be continued or extended; and

c the amount of cash held that is not available for use and the nature of the restrictions placed upon its use.

AASB 1027 Earnings per Share

A revised AASB 1027 "Earnings per Share" was issued in June 2001 and applies to annual reporting periods beginning on or after 1 July 2001. The Standard applies to each entity required to prepare general purpose financial reports under Part 2M.3 of the Corporations Act 2001 that has listed ordinary shares, is in the process of listing, or discloses EPS in its financial report.

The method adopted to calculate basic and diluted Earnings Per Share (EPS) is significantly different to that prescribed by the superseded AASB 1027 "Earnings per share" (issued in November 1992). The main features of the revised Standard are as follows:

Calculation of Basic EPS

Basic EPS must be calculated by dividing the earnings of the entity for the reporting period by the weighted average number of ordinary shares of the entity, adjusted for the bonus element, if any.

For the purpose of calculating basic EPS, earnings must be calculated as net profit or loss (inclusive of any extraordinary items) adjusted to exclude:

a any portion attributable to outside equity interest;

b any costs of servicing equity, paid or provided for, other than dividends on ordinary shares and partly-paid ordinary shares; and

c any cumulative preference share dividends not already excluded,

in respect of the reporting period.

The Requirement to Disclose Diluted EPS ("The Trigger Test")

Diluted EPS must be disclosed where an entity has on issue potential ordinary shares which are dilutive, regardless of materiality.

Potential ordinary shares are dilutive when and only when the conversion to, calling of, or subscription for, ordinary shares would decrease (increase) net profit (loss) from continuing ordinary operations per share, except that:

a potential ordinary shares for which conversion to, calling of, or subscription for, ordinary share capital is mandatory must be considered dilutive; and

b potential ordinary shares for which conversion to, calling of, or subscription for ordinary share capital is at the option of the entity must be considered dilutive where, based on conditions at the reporting date, it is probable that the entity will successfully exercise its option at any time in the future.

The net profit or loss from continuing ordinary operations, for the purpose of determining whether potential ordinary shares are dilutive, must be determined as the earnings used in the calculation of Basic EPS, excluding amounts relating to:

a discontinuing operations;

b extraordinary items;

c adjustments for changes in accounting policies that affect the current reporting period but relate to prior reporting periods; and

d corrections of fundamental errors.

Calculation of Diluted EPS

Diluted EPS must be calculated by dividing the earnings of the entity for the reporting period by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for the bonus element, if any.

For the purpose of calculating diluted EPS, earnings must be determined as the earnings used in the calculation of Basic EPS, adjusted by the after income tax effect of:

a dividends, interest or other financing costs associated with dilutive potential ordinary shares that have been recognised as expenses during the reporting period or otherwise deducted in arriving at earnings for Basic EPS; and

b any other non-discretionary changes in revenues or expenses for the reporting period that would result from the conversion of the dilutive potential ordinary shares.

Disclosure Requirements

In addition to the disclosure of Basic EPS and Diluted EPS on the face of the statement of financial performance, the financial report must disclose:

a the amount used as the numerator in calculating diluted EPS, and a reconciliation of this amount to net profit or loss for the reporting period;

b the weighted average number of ordinary shares and potential ordinary shares of the entity used as the denominator in calculating diluted EPS with a reconciliation to the basic EPS denominator;

c the weighted average number of converted, lapsed or cancelled potential ordinary shares included in the calculation of diluted EPS;

d the number and nature of any potential ordinary shares that are not dilutive and are therefore not used in the calculation of diluted EPS;

e any conversion to, calling of, or subscription for, ordinary shares that occurs between the reporting date and the time of completion of the financial report; and

f any issue of potential ordinary shares that occurs between the reporting date and the time of completion of the financial report.

AASB 1028: Employee Benefits

A revised AASB 1028 “Employee Benefits” was issued in June 2001 and applies to annual reporting periods beginning on or after 1 July 2002.

General Recognition Criteria

Liabilities and expenses arising in respect of employee benefits must be recognised when and only when they are capable of being measured reliably; and in respect of:

a expenses, it is probable that the consumption or loss of future economic benefits has occurred; and

b liabilities, it is probable that settlement will be required.

Specific Recognition Criteria of Employee Benefits

There are specific recognition criteria for wages and salaries (including non-monetary benefits), compensated absences, profit sharing and bonus plans, termination benefits and post-employment benefits (other than superannuation and medical benefits). The specific requirements are as follows:

Wages and Salaries (including non–monetary benefits)

When an employee has rendered service to the entity during a reporting period, the entity must recognise the amount of wages and salaries expected to be settled in exchange for that service:

a as a liability, after deducting any amount already paid; and

b as an expense, unless recognised as part of the carrying amount of an asset in accordance with another Accounting Standard.

Compensated Absences

A liability for employee benefits in the form of compensated absences must be recognised when and only when:

a in the case of accumulating compensated absences, employees render service that entitles them to future compensated absences; or

b in the case of non-accumulating compensated absences, the absences occur.

Compensated absences include compensation paid or payable in respect of absence for reasons such as annual leave, sickness, short-term disability, maternity or paternity, sabbatical and long service. Accumulating compensated absences are those that are carried forward and can be used in future periods. Non-accumulating compensated absences are not carried forward and lapse to the extent that the entitlement is not used in the period and do not entitle employees to cash payment for unused entitlement on leaving the entity.

Profit Sharing and Bonus Plans

The liability for employee benefits in the form of profit sharing and bonus plans must be recognised when and only when, the entity has no realistic alternative but to settle the liability, and the liability can be reliably measured.

A liability is capable of being reliably measured when at least one of the following conditions is met:

a there are formal terms in the plan for determining the amount of the benefit;

b the entity determines the amounts to be paid before the time of completion of the financial report; or

c past practice gives clear evidence of the amount of the entity's obligation.

Termination Benefits

A liability and expense for termination benefits must be recognised when and only when the entity is presently obliged to provide benefits that relate to either:

a terminating the employment of an employee or group of employees before the normal retirement date; or

b providing termination benefits in accordance with a voluntary redundancy scheme.

An entity is presently obliged to provide termination benefits when, and only when, the entity has:

a developed a detailed formal plan for the terminations identifying at least:

  i the location, function and approximate number of employees who will be compensated for terminating their services;

  ii the termination benefits for each job classification or function; and

  iii when termination will occur; and

b raised a valid expectation in those employees affected that it will carry out the terminations.

There are also specific requirements relating to termination benefits recognised as a part of an acquisition of an entity or operation.

Post–employment benefits (Other than Superannuation and Medical Benefits)

A liability for post-employment benefits (other than superannuation and medical benefits) must be recognised:

a progressively over the reporting periods up to the time when the benefits become vested, where the benefits vest after a specified qualifying period; and

b in the reporting period, an employee is appointed to a specified position, where the benefits vest at the time of appointment,

and continue to be recognised until they are settled.

Recognition on a Net Basis

Revenue and expenses relating to wages and salaries, compensated absences and profit sharing and bonus plans must be recognised on an overall net basis. Revenue and expense relating to other employee benefits must be individually recognised on a net basis.

Measurement of Employee Benefits

Entities are required to measure employee benefit liabilities on a nominal basis for wages and salaries, annual leave, sick leave and other employee benefits that are expected to be settled within 12 months of the reporting date. Entities are required to use remuneration rates that it expects to pay when the obligation is settled as distinct from remuneration rates at reporting date.

Employee benefit liabilities expected to be settled more than 12 months after reporting date must be measured as the present value of the estimated future cash outflows to be made by the employer in respect of services provided by employees up to the reporting date. The discount rate is the market yields as at reporting date on national government bonds.

Disclosure

The disclosure requirements contained in the revised AASB 1028 are more extensive than those contained in the superseded standard. In particular, the revised standard requires the disclosure of:

a the nature and terms of employee benefit arrangements under which employees are offered an opportunity to acquire equity-based instruments in the employer;

b the aggregate liability and the aggregate asset arising from employee benefits and related on-costs that have been recognised in the financial statements;

c the accounting policy for equity-based compensation arrangements and the amount recognised in the financial statements as a result of applying the accounting policy;

d details of equity-based instruments at the beginning of the reporting period that are held by equity-based compensation plans or by employees;

e details of equity-based instruments granted or distributed during the reporting period that are held by equity-based compensation plans or by employees;

f details of equity-based instruments granted by the entity that are exercised by equity-based compensation plans or by employees during the reporting period;

g the nature and number of equity-based instruments granted by the entity that lapsed during the reporting period that were held by equity-based compensation plans or by employees;

h details of equity-based instruments at the end of the reporting period that are held by the equity-based compensation plans or the employees; and

i details relating to defined benefit superannuation plans sponsored by the employer.

The Standard does not require the disclosure of the fair value of share options or any other similar rights granted.

AASB 1029: Interim Financial Reporting

The revised AASB 1029 “Interim Financial Reporting” was issued in October 2000 and applies to interim reporting periods beginning on or after 1 July 2001. The main features of the revised Standard are as follows:

Content

The interim financial report must include, as a minimum:

a a condensed statement of financial performance;

b a condensed statement of financial position;

c a condensed statement of cash flows; and

d other disclosures required by the Standard.

The commentary to the Standard indicates that condensed financial statements are those that do not include all the line items presented in the most recent annual financial report of the entity.

Condensed Statement of Financial Performance

Where an entity includes a condensed statement of financial performance in its interim financial report, the condensed statement of financial performance must include, as a minimum:

a profit or loss/result from ordinary activities before income tax expense (income tax revenue);

b profit or loss/result from ordinary activities after related income tax expense (income tax revenue);

c profit or loss from extraordinary items after related income tax expense (income tax revenue);

d net profit or loss/result;

e net profit or loss/result attributable to members of the parent entity;

f total revenues, expenses and valuation adjustments attributable to members of the parent entity and recognised directly in equity;

g total changes in equity other than those resulting from transactions with owners as owners; and

h basic and diluted earnings per share.

Condensed Statement of Financial Position

Where an entity includes a condensed statement of financial position in its interim financial report, the condensed statement of financial position must include, as a minimum, each of the headings and subtotals that were presented in the most recent annual financial report of the entity.

Condensed Statement of Cash Flows

Where an entity includes a condensed statement of cash flows in its interim financial report, the condensed statement of cash flows must include, as a minimum, each of the headings and subtotals that were presented in the most recent annual financial report of the entity.

Inclusion of Additional Line Items

Additional line items must be included in the Statement of Financial Performance, Statement of Financial Position, or Statement of Cash Flows if their significance in the overall context of the entity has changed since the most recent annual financial report and their omission would make the interim financial statement misleading.

Full Financial Statements

An entity may include more than the minimum line items, headings and subtotals in condensed financial statements or other specific information required by AASB 1029 in the interim financial report. If an entity chooses to include in its interim financial report a full set of financial statements and notes of the type normally included in an annual financial report, the form and content of those financial statements and notes must conform to the requirements of AASB 1029 as well as those required by other AASB Standards (or AAS Standards, where applicable).

Current and Comparative Information

The following table outlines the reporting periods for which information must be presented in the interim financial reports:

	Current			Comparative		
	Current Interim Period	Cumulative Annual Period-to-date	Current Interim Period End	Current Interim Period	Cumulative Annual Period-to date	Prior Year End
Statement of Financial Position			✓			✓
Statement of Financial Performance	✓	✓ *		✓	✓ *	
Statement of Cash Flows	✓	✓ *		✓	✓ *	

** Information needed only be presented for the cumulative annual period-to-date (current and comparative) where interim financial reports are prepared more frequently than half-yearly, for example, quarterly.*

Accounting Policies

In the preparation of the interim financial report, the entity must apply:

- a the same accounting policies as were applied in its most recent annual financial report; or
- b the accounting policies to be applied for the next annual financial report, where accounting policy changes have been made since the most recent annual reporting date or where the interim financial report is prepared during the first annual reporting period of the entity.

Annually Determined Items

The commentary to the Standard indicates that, for certain items, it is necessary to accrue revenues and expenses using an estimated annual effective rate. For example, income tax expense is recognised in each interim period using the estimated annual effective income tax rate expected for the full annual reporting period.

Disclosure Requirements

The interim financial report must include:

- a the interim reporting date of, or the interim reporting period covered by, each interim financial statement, whichever is appropriate;
- b a statement that the interim financial report is a general purpose financial report;
- c a statement as to whether the financial report has been prepared in accordance with accounting standards and UIG Consensus Views (where there has been a change from the previous annual report);
- d a description of the measurement basis or bases used in preparing the interim financial report (where there has been a change from the most recent annual report);
- e a statement that the same accounting policies are followed in the interim financial report as those applied in the most recent annual financial report or, if those policies have been changed, a description of the nature and effect of the change;
- f where different estimation methods are used in the interim financial report as compared with the most recent annual financial report, a description of the nature of those methods;
- g where the interim operations are seasonal or irregular, explanatory comments about the seasonality or irregularity of those operations;
- h a description of material events subsequent to the end of the interim period that have not been recognised in the interim financial statements and an indication, where possible, of the financial effect of each event;
- i disclosure of the nature and amount of items affecting assets, liabilities, equity, net profit or loss/result, or cash flows which are material to an understanding of the interim period;
- j disclosure of the nature and amount of revisions in estimates of amounts reported in prior interim periods of the current annual reporting period or revisions in estimates of amounts reported in prior annual reporting periods, if those revisions have a material effect in the current interim period;
- k disclosure of issuances, repurchases, and repayments of debt securities and equity securities in accordance with Accounting Standard AASB 1026 and Australian Accounting Standard AAS 28 “Statement of Cash Flows”;
- l for each class of shares included in equity, disclosure of the amount in aggregate or per share of dividends that were either recognised as a liability in the interim period or paid during the interim period without previously being recognised as a liability;
- m segment revenues and segment result for business segments or geographical segments, whichever is the entity’s primary format of segment reporting, if Accounting Standard AASB 1005 “Segment Reporting” requires the entity to disclose segment information in its annual financial report;
- n details of changes in the composition of the entity during the annual reporting period–to–date, including acquisition or disposal of subsidiaries and restructurings;

o a description of any significant activities or events relating to a discontinuing operation for which the initial disclosure event has occurred, including any significant changes since the last annual reporting date in the amount or timing of cash flows relating to the assets to be disposed of and liabilities to be settled; and

p a description of changes in contingent liabilities or contingent assets since the last annual reporting date or a statement that there have been no changes since the last annual reporting date.

AASB 1030: Application of Accounting Standards to Financial Year Accounts and Consolidated Accounts of Disclosing Entities other than Companies

Disclosing Entities to Comply with AASB Accounting Standards

Except as noted below, all Accounting Standards shall be applied in preparing and presenting the financial statements for a financial year:

a as if any reference in those Standards to a company as the entity preparing the financial statements includes a reference to a disclosing entity which is not a company; and

b despite the applicability of Standards currently in force, but subject to their operative date.

Exceptions

Disclosing entities other than companies and other bodies corporate listed on the Australian Stock Exchange are not required to apply accounting standard AASB 1027 "Earnings Per Share".

In accounting for financial assets, undertakings to which prescribed interests relate are not required to apply the method set out in accounting standard AASB 1041 "Revaluation of Non-Current Assets" for the recognition of revaluation increments and decrements in net profit or loss for the reporting period or as reserves provided that:

a the financial assets are measured at net market value as at the reporting date; and

b any changes in net market value are recognised as revenues or expenses in the financial year in which the changes occur.

AASB 1031: Materiality (AAS 5)

Application of Materiality

The Standards specified in other Accounting Standards apply to the financial report where information resulting from their application is material. Information is material if its omission, misstatement or non-disclosure has the potential to adversely affect:

a decisions about the allocation of scarce resources made by users of the financial report; or

b the discharge of accountability by the management or governing body of the entity.

Guidance in Deciding Whether an Item is Material

The Standard provides guidance (by way of commentary) to assist in deciding whether or not an item is material. In deciding whether or not an item is material, the following should be considered:

a the nature and amount of the item are usually evaluated together;

b comparing the item to the appropriate base amount, for example:

  i in respect items in the statement of financial position - shareholders' equity and the appropriate asset and liability class total;

  ii in respect of items in the statement of financial performance – net profit or loss, and average net profit or loss; or

  iii in respect of items in the statement of cash flows – net cash flows provided by operating, investing or financing activities and average net cash flows provided by operating, investing or financing activities;

c considering the financial report as a whole; and

d comparing items to any directly related items (eg. compare interest expense to outstanding loans).

An amount which is equal to or greater than 10% of the appropriate base amount (as detailed above) may be presumed to be material unless there is evidence or a convincing argument to the contrary. An amount which is equal to or less than 5% of the appropriate base amount (as detailed above) may be presumed not to be material unless there is evidence or a convincing argument to the contrary.

AASB 1032: Specific Disclosures by Financial Institutions (AAS 32)

The purpose of the Standard is to require the disclosure of information concerning the liquidity, solvency and the relative degree of risk attaching to different activities of financial institutions.

Statement of Financial Performance

Revenues and expenses must be disclosed in the statement of financial performance or notes thereto, classified by their nature. In addition, the following specific revenue and expense items must be disclosed, classified by their nature and measurement basis:

- a interest revenue and expense;
- b dividend revenue;
- c revenues and expenses arising from securities and trading securities;
- d recoveries of bad and doubtful debts;
- e other revenues and expenses arising from financial instruments;
- f fee and commission revenue and expense;
- g general administration expenses; and
- h other revenues and expenses.

The Standard permits the following revenue and expense items to be recognised and disclosed on a net basis for each class of financial instrument (according to their nature and measurement basis):

- a revenues and expenses arising from the disposal of financial instruments; and
- b revenues and expenses arising from changes in the net fair value of financial instruments.

In addition, an analysis of interest revenue and interest expense must be disclosed in the financial statements, incorporating information about average balances and average interest rates.

This analysis is not required to be disclosed in the financial statements of a parent entity where those financial statements are presented with the consolidated financial statements of the economic entity.

Statement of Financial Position

Assets and liabilities must be disclosed and classified in the statement of financial position according to their nature and in an order reflecting their relative liquidity.

In addition, the following specific assets and liabilities must be disclosed in the statement of financial position or the notes thereto, classified by their nature and measurement basis:

- a cash and liquid assets;
- b receivables due from other financial institutions;
- c bills held by overseas operations of the entity that are eligible for rediscounting with a central bank;
- d securities held (distinguishing between trading securities and others);
- e loans;
- f deposits with regulatory authorities and industry support schemes;
- g acceptances;
- h payables due to other financial institutions;
- i deposits (distinguishing between certificates of deposit and others); and
- j borrowings.

Maturity Analysis

A maturity analysis of the following assets and liabilities must be disclosed:

- a receivables due from other financial institutions;
- b securities held (excluding trading securities);
- c loans, net of unearned revenue and specific provisions for impairment;
- d payables due to other financial institutions; and
- e deposits and borrowings.

The maturity analysis should include at least the following categories or time bands:

- a at call;
- b overdrafts;
- c less than 3 months;
- d 3 months to 12 months;
- e 1 year to 5 years;
- f more than 5 years; and
- g no maturity specified.

The maturity analysis is not required to be disclosed in the financial statements of a parent entity where those financial statements are presented with the consolidated financial statements of the economic entity.

Other Disclosure Requirements

The financial report must disclose the following information:

a particulars of concentrations of deposits and borrowings, including a description of the similar characteristics that identify each concentration;

b commitments to extend credit;

c capital and other expenditure commitments contracted for;

d contingent liabilities;

e impaired loans, acquired assets and past-due loans; and

f the nature and extent of fiduciary activities.

The above information is not required to be disclosed in the financial statements of a parent entity where those financial statements are presented with the consolidated financial statements of the economic entity.

AASB 1033: Presentation and Disclosure of Financial Instruments (AAS 33)

This Standard does not apply to:

a interests in subsidiaries, joint venture entities, or associated entities;

b operating leases;

c employers' obligations for post-employment benefits of all types;

d employers' obligations under employee share option and share purchase plans; or

e obligations arising under insurance contracts.

The disclosure requirements of this Standard do not apply to the financial report of a parent entity where that financial report is presented with the consolidated financial statements of the economic entity.

Key Definitions

"Financial Instrument" means any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

"Financial Asset" means any asset that is:

a cash;

b a contractual right to receive cash or another financial asset from another entity;

c a contractual right to exchange financial instruments with another entity under conditions that are potentially favourable; or

d an equity instrument of another entity.

"Financial Liability" means any liability that is a contractual obligation:

a to deliver cash or another financial asset to another entity; or

b to exchange financial instruments with another entity under conditions that are potentially unfavourable.

"Equity Instrument" means any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Presentation of Liabilities and Equity

Financial instruments, or their component parts, must be classified by the issuer on initial recognition as liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and equity instrument. Once recognised, the classification continues at each subsequent reporting date until a transaction or other specific action by the issuer or the holder alters the substance of the financial instrument, or the financial instrument is removed from the issuer's statement of financial position.

Classification of Converting Financial Instruments

A converting financial instrument must be classified as a financial liability by the issuer on initial recognition to the extent that the holder of the instrument is not exposed to changes in the fair value of the issuer's equity instruments.

The issuer must classify the converting financial instrument as equity on initial recognition to the extent that the holder is exposed to changes in the fair value of the issuer's equity instruments.

Classification of Compound Financial Instruments

The Standard requires the issuer of financial instruments that contains both financial liability and equity elements to classify the instrument's component parts separately. The classification of the component parts must not be revised where there has been a change in the likelihood that the conversion option will be exercised, even when the exercise of the option may appear to have become economically advantageous to the holder.

The requirement to classify the instrument's component parts separately only applies to compound financial instruments that are issued on or after 1 January 1998.

Interest, Dividends, Losses and Gains

Interest, dividends, gains and losses must be classified as expenses, revenues or changes in equity on a basis consistent with the balance sheet classification of the related financial instrument or component parts in the statement of financial position.

Set–Off Requirements

Financial assets and financial liabilities must be set-off when, and only when, there is a legally recognised right of set-off and the entity intends to settle the asset and the liability on an net basis or to realise the asset and settle the liability simultaneously.

Disclosure Requirements

The financial report must disclose the following information:

a terms and conditions of financial instruments;

b accounting policies and methods adopted;

c objectives for holding or issuing derivative financial instruments, the context of those objectives and the strategies for achieving them;

d exposure to interest rate risk;

e exposure to credit risk;

f net fair value of financial assets and financial liabilities;

g financial assets recognised at amounts in excess of net fair value; and

h hedges of anticipated future transactions.

Although not strictly financial instruments, the above disclosure requirements also apply to gold contracts and to other commodity contracts of a type normally settled other than by physical delivery in accordance with general market practice, despite the contract terms requiring physical delivery.

The Standard also encourages additional disclosure of information when it is likely to enhance the financial statement users' understanding of the entity's use of financial instruments.

AASB 1034 "Financial Report Presentation and Disclosure" (AAS 37)

This Standard applies to each entity that is required to prepare a financial report under Chapter 2M of the Corporations Act 2001.

Presentation Requirements

The financial report must be presented in the English language and in the Australian currency, and be clearly identified and distinguished from other information in the same published document.

If the financial report presents information for current or prior financial years that are not equal to twelve months, the financial report must disclose, in addition to the period covered by the financial report:

a the reason for a period other than twelve months being used; and

b the fact that comparative amounts disclosed in the financial report and related notes are not comparable where the lengths of the financial years differ.

Each component of the financial report must be clearly identified. In addition, the following information must be prominently displayed and repeated when it is necessary for a proper understanding of the information presented:

a the name of the entity or other means of identification, and any change in name from the preceding reporting date

b whether the financial report covers an individual entity or an economic entity or both;

c the reporting date or the period covered by each financial statement, as is appropriate;

d the rounding used in the presentation of amounts in the financial report; and

e when currencies other than the Australian currency are used in a note in the financial report, the currencies in which amounts are stated.

Disclosure Requirements

The financial report must disclose the following if not provided elsewhere in information published in the document that contains the financial report:

a the domicile and legal form of the entity, its country of incorporation and the address of the registered office (and principal place of business, if different from the registered office);

b a description of the nature of the entity's operations and its principal activities;

c the name of the parent entity of the entity and the ultimate parent entity, if any; and

d either the number of employees at the reporting date or the average number of employees during the reporting period.

The financial report must also disclose:

a auditors' remuneration;

b where the entity is dependent on another entity for a significant volume of revenue or financial support and that dependency is not clearly discernible from a separate line item in the statement of financial performance or statement of financial position:

  i the name of the entity on which there is an economic dependency; and

  ii the nature of that economic dependency;

c for each class of shares included in equity, where either dividends payable were first recognised as a liability during the reporting period or dividends were paid during the reporting period without previously being recognised as a liability:

  i the amount, in aggregate and per share, of those dividends that have been or will be franked and the tax rate at which those dividends have been or will be franked; and

  ii the amount, in aggregate and per share, of those dividends that have not been or will not be franked;

d the amount of franking credits available for subsequent reporting periods to the shareholders of the entity if it is not an economic entity or the parent entity in an economic entity, by disclosing the balance of the franking account as at the reporting date, adjusted for:

  i franking credits that will arise from the payment of the amount of the provision for income tax;

  ii franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;

  iii franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and

  iv franking credits that the entity may be prevented from distributing in subsequent reporting periods; and

e executives' remuneration.

AASB 1036: Borrowing Costs (AAS 34)

Recognition of Borrowing Costs

Borrowing costs must be recognised as an expense in the financial year in which they are incurred, except to the extent that they are capitalised (as explained below).

"Borrowing costs" means interest and other costs incurred by an entity in connection with the borrowing of funds and includes amortisation of discounts or premiums relating to borrowings, finance charges with respect to leases, and exchange difference arising from foreign currency borrowings, net of the effect of any hedges.

Borrowing Costs to be Capitalised

Borrowing costs must be capitalised where:

a they are directly attributable to the acquisition, construction or production of a qualifying asset; and

b would have been avoided if the expenditure on the qualifying asset had not been made.

However, borrowing costs capitalised during the financial year must not exceed the amount of borrowing costs incurred by the entity during the financial year.

"Qualifying assets" are those assets that necessarily take a substantial period of time (greater than 12 months) to get ready for intended use or sale. They will include certain costs carried forward under AASB 1022 "Accounting for the Extractive Industry" where the costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale.

Funds Borrowed Generally

Where funds are borrowed generally, for example through a central treasury function, the amount of borrowing costs to be capitalised to qualifying assets must be determined by multiplying:

a a capitalisation rate equal to the weighted average rate applicable to general outstanding borrowings during the financial year; by

b the weighted average accumulated expenditures relating to qualifying assets during the financial year, where they gave rise to borrowings that would have been avoided had the expenditure not taken place.

When calculating borrowing costs to be capitalised, expenditure relating to qualifying assets must be reduced by any recovery of expenditure or grants received.

Funds Borrowed Specifically for a Qualifying Asset

Where funds are borrowed specifically for acquiring, constructing or producing a qualifying asset, the actual borrowing costs incurred on that borrowing during the financial year must be capitalised to that asset. However the total borrowing costs to be capitalised are reduced by:

a costs associated with excess borrowings; and

b investment revenue earned on such funds.

Commencement of Capitalisation

The capitalisation of borrowing costs must commence when:

a costs for the asset are being incurred;

b borrowing costs are being incurred; and

c activities that are necessary to prepare the asset for its intended use or sale are in progress, including technical and administrative work but excluding the holding of an asset when no production or development are taking place.

Suspension of Capitalisation

Borrowing costs incurred while active development is interrupted for an extended period must be recognised as an expense, for example, during a labour dispute, but not where the delay is a necessary part of the production process.

Cessation of Capitalisation

Capitalisation of borrowing costs must cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. The qualifying asset would normally be considered "ready for its intended use" when the physical construction is complete even though, for example, routine administrative work may still continue.

The commentary to the Standard prescribes that, when the qualifying asset is completed in parts and each part is capable of being used while construction continues, capitalisation of borrowing costs for completed parts must cease when substantially all activities necessary to prepare the part for its intended use or sale are complete.

Recoverable Amount

The recoverable amount test is required to be applied to qualifying assets, consistent with accounting standard AASB 1010 "Recoverable Amount of Non-Current Assets".

The recoverable amount test does not apply:

a to qualifying assets of non-for-profit entities where the service potential of those assets is not primarily dependent on their ability to generate net cash inflows; or

b where, pursuant to legislation, ministerial directive or other government authority, a qualifying asset is a non-current asset that provides goods or services at no charge, or at less than full cost recovery.

Disclosure Requirements

The financial report must disclose:

a the amount of borrowing costs recognised as an expense during the financial year;

b the amount of borrowing costs recognised during the financial year as part of the carrying amount of qualifying assets;

c the capitalisation rate used to determine the amount of borrowing costs capitalised with respect to funds borrowed generally; and

d the amount of any investment revenue earned on borrowed funds that has been deducted from the borrowing costs incurred on funds borrowed specifically for a qualifying asset.

AASB1037: Self–Generating and Regenerating Assets (AAS 35)

Scope

A self-generating and regenerating asset (SGARA) is a non-human living asset and includes forests, livestock, crops, fruit bearers and the living assets of aquaculturalists and stud breeders and the Standard also applies where rights over SGARAs have been obtained through leases. However the Standard does not apply to SGARAs that are held for the primary purpose of aesthetic, heritage, ecology, the environment or recreation.

Accounting for SGARAs

A SGARA must be recognised when it is probable that the future economic benefits embodied in the SGARA will eventuate and its value can be measured reliably, at net market value (NMV). Where there is no active and liquid market, SGARAs must be measured using the best indicator of NMV based on all relevant information.

Any changes in the carrying amount of a SGARA must be recognised in net profit or loss in the financial year in which the change occurs.

The non-living produce of a SGARA must be accounted for in accordance with AASB 1019 "Inventories". The NMV of the non-living produce of a SGARA, immediately after it becomes non-living is deemed to be the cost of non-living produce for AASB 1019 purposes. Any differences between the NMV of non-living produce extracted from SGARAs and the cost of extraction must be shown as revenue or expense when extracted.

Disclosure Requirements

SGARAs must be presented separately in the statement of financial position and the notes to the financial statements must disclose:

a the nature of SGARAs and an estimate or relevant indication of their physical quantity, separately classified between "plants" and "animals", and sub-classified as appropriate to the circumstances of the entity, showing separately those SGARAs over which the entity has rights that are obtained through leases or similar types of arrangements;

b SGARAs for which the entity's use or capacity to sell is subject to restrictions imposed by regulations or other external requirements that have a significant impact on their total net market value. The total and restricted amounts of those SGARAs must be disclosed, together with details of the nature and extent of those restrictions;

c if the net market values of SGARAs are based on amounts other than market prices observed in active and liquid markets:

  i the method of determining the net market values;

  ii any significant assumptions made in determining the net market values; and

  iii whether the net market values have been determined in accordance with an independent valuation or a directors' valuation and, where the net market values have been determined in accordance with an independent valuation, the name(s) of the firm(s) which made that valuation;

d the net amount of revenues and expenses arising from increments or decrements in NMV, showing separately the amount that is attributable to "plants" class, "animals" class, and each sub-class as appropriate to the circumstances of the entity. The method by which the net increment or decrement is determined must be disclosed; and

e the net amount of revenues and expenses arising on extraction, showing separately the amount that is attributable to "plants" class, "animals" class, and each sub-class as appropriate to the circumstances of the entity.

AASB 1038: Life Insurance Business (AAS 36)

Entity and Consolidation Issues

A life insurer must recognise in its financial report the assets, liabilities, revenues, expenses and equity of the entity, whether they are designated as relating to policyholders or to shareholders.

The consolidated financial report of an economic entity that includes a life insurer subsidiary must recognise all of the assets, liabilities, revenues and expenses of that subsidiary, whether they are designated as relating to the policyholders or to the shareholders of that life insurer.

Where a consolidated financial report is prepared by a life insurer, the life insurers subsidiaries should be valued at net market value (NMV). On consolidation the assets and liabilities should be consolidated as per the subsidiaries records with:

a any excess of the NMV of interests in a subsidiary over the net assets of the subsidiary recognised as a separate asset; or

b any deficiency of the NMV of interests in a subsidiary over the net assets of the subsidiary recognised as a revenue or an expense only after:

   i the carrying values of all assets and liabilities of the subsidiary have been reviewed, and remeasured where appropriate; and

   ii any asset arising in respect of other subsidiaries as a result of an excess NMV has been eliminated.

Premiums and Claims

Premiums and claims are required to be separated on a product basis into their revenue, expense and change in liability components unless separation is not practical or the components cannot be reliably measured.

Liabilities

Liabilities of a life insurer must be measured at net present value, with changes recognised as revenue or expense. The Standard provides specific guidance with respect to the measurement of policy liabilities with respect to participating benefits, planned margins, changes in assumptions and discount rates.

Assets

Assets of a life insurer must be measured at NMV, with changes recognised as revenue or expense. However a life insurer must not recognise the excess of its own embedded value over its recognised net assets as an asset.

Other Accounting Requirements

The Standard also specifies the accounting methods for reinsurance, investment revenues, participating benefits, imputed inflows and outflows, and income tax. The transitional provisions of the Standard permit adjustments to retained profits or accumulated losses at the beginning of the reporting period.

Disclosure Requirements

The Standard specifies numerous detailed disclosure requirements. The main requirements are:

a the following revenues and related explanations must be disclosed:

   i premium revenue;

   ii the accounting policy adopted in recognising premium revenue;

   iii inwards reinsurance revenues;

   iv investment revenue, showing separately revenue from:
      - equity securities;
      - debt securities;
      - properties; and
      - other;

- v revenue arising from the recognition of a deficiency of the NMVs of interests in subsidiaries over the net amount of subsidiaries' assets and liabilities; and
- vi other revenue;

b the following expenses and related explanations must be disclosed:

- i outwards reinsurance expense;
- ii operating expenses, showing separately:
  - claims expense;
  - policy acquisition expenses, separated into material components including commission;
  - policy maintenance expenses;
  - investment management expenses; and
  - other;
- iii the accounting policy adopted in recognising claims expense;
- iv the basis for the apportionment of operating expenses between policy acquisition, policy maintenance and investment management expenses; and
- v any expense arising from the recognition of a deficiency of the NMVs of interests in subsidiaries over the net amount of subsidiaries' assets and liabilities;

c the following components of profit from ordinary activities after related income tax expense must be shown, separated between policyholder and shareholder interests:

- i profit related to movements in policy liabilities, separated between:
  - planned margins of revenues over expenses;
  - the difference between actual and assumed experience;
  - the effects of changes to underlying assumptions;
  - loss recognition on groups of related products or reversal of previously recognised losses; and
  - other movements, separated into material components;
- ii investment earnings on assets in excess of policy liabilities; and
- iii other items, separated into material components;

d the following assets must be disclosed in the broad order of their liquidity:

- i investments, showing separately:
  - equity securities;
  - debt securities;
  - properties; and
  - other, by major class where applicable;
- ii operating assets;
- iii reinsurance recoveries receivable; and
- iv any excess net market value asset recognised of interests in subsidiaries, together with the components disaggregated by subsidiary, and explanations of:
  - the factors giving rise to that asset; and
  - any changes in that asset from the previous financial year;

e policy liabilities, unvested policyholder benefits liabilities and other liabilities, classified by nature, must be disclosed in the broad order of their liquidity. The following components of policy liabilities must also be disclosed:

- i future policy benefits, including participating benefits;
- ii balance of future expenses;
- iii planned margins of revenues over expenses;
- iv future charges for acquisition costs;
- v balance of future revenues; and
- vi other items, separated into material components;

f the following components of equity must be disclosed:

- i retained profits wholly attributable to shareholders; and
- ii retained profits where the allocation between participating policyholders and shareholders cannot be determined; and

g other disclosures in relation to income tax regime, solvency information, managed funds, actuarial information and disaggregated information for each life fund and for the shareholder fund on certain statement of financial position and profit or loss.

AASB 1039: Concise Financial Reports

A revised AASB 1029 "Concise Financial Reports" was issued in June 2002 and applies to annual reporting periods ending on or after 30 June 2002. The Standard must be complied with by all entities that prepare a concise financial report under Part 2M.3 of the Corporations Act 2001.

The financial statements and specific disclosures required in a concise financial report must be derived from the full financial report of the entity. Any other information included in a concise financial report must be consistent with the full financial report of the entity. Where an entity is the parent entity in an economic entity, this Standard applies to the consolidated financial statements of the entity and the notes to those statements, and does not require that parent entity financial information be provided.

The Standard requires a concise financial report to include a:

- a statement of financial performance;
- b statement of financial position; and
- c statement of cash flows.

Each of the above statements must be presented in the same manner as in the full financial report, in accordance with Accounting Standards, except for the omission of cross-references to any notes to the financial statements. Furthermore, a discussion and analysis must accompany each statement.

Disclosure Requirements

The concise financial report must be disclose:

- a notification when the financial report has not been compiled on a going concern basis, or where the going concern basis has become inappropriate after the reporting date;
- b segment revenue, segment results, segment assets and segment liabilities in respect to each primary reporting segment in accordance with AASB 1005 "Segment Reporting";
- c the amount of sales revenue recognised and included in operating revenue;
- d the amount of dividends, in aggregate and per share, identifying:
  - i dividends paid and date of payment; and
  - ii dividends proposed and not yet paid, and expected date of payment;
- e where dividends have been paid or are proposed, the amount, in aggregate and per share, of those dividends that:
  - i have been or will be franked and the tax rate at which those dividends are franked; and
  - ii have not been or will not be franked;
- f basic and diluted earnings per share, where a listed company;
- g the nature and amount of each extraordinary item and the applicable income tax expense;
- h in respect of each event occurring after reporting date that does not relate to conditions existing at reporting date, the information required by AASB 1002; and
- i where there is a change in accounting policy or estimates from those used in the preceding financial year which has a material effect in the current financial year or is expected to have a material effect in a subsequent financial year, the information required by AASB 1001.

The concise financial report must also prominently display advice to the effect that:

- a the financial statements and specific disclosures included in the concise financial report have been derived from the full financial report; and
- b the concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the entity as the full financial report.

AASB 1040: Statement of Financial Position (AAS 36)

This Standard applies to each entity that is required to prepare a financial report under Chapter 2M of the Corporations Act 2001.

Presentation of Assets and Liabilities

All assets and all liabilities must be categorised either as current or as non-current, or presented broadly in the order of their liquidity where a liquidity presentation provides more relevant and reliable information than the current/non-current presentation.

"Current asset" is defined as an asset that is:

- a expected to be realised, or held for sale or consumption, in the normal course of the entity's operating cycle;
- b held primarily for trading purposes or for the short-term and is expected to be realised within 12 months of the reporting date; or
- c cash or a cash equivalent asset which is not restricted in its use beyond 12 months or the length of the operating cycle, whichever is greater.

"Current liability" is defined as a liability that:

- a arises and is expected to be settled in the normal course of the entity's operating cycle; or
- b is at call or due or expected to be settled within 12 months of the reporting date.

In circumstances where a single operating cycle of the entity is not clearly identifiable or the operating cycle is less than 12 months, a 12 month period must be used as the basis for the classification of assets and liabilities between current and non-current.

Refinance of Long-Term Liabilities

Long-term interest bearing liabilities should continue to be classified as non-current, even if they are due to be settled within 12 months of the reporting date, when:

- a the original term was for a period of more than 12 months; and
- b the entity is committed to an agreement to refinance, or to reschedule payments, prior to the time of completion of the financial report.

Breach of Loan Covenants

In the event that an undertaking, including a covenant included in a borrowing agreement, is breached by the entity, resulting in the liability becoming payable on demand, the liability must be categorised as current unless:

- a the lender has agreed, prior to the time of completion of the financial report, not to demand payment as a consequence of the breach;
- b it is not probable that further breaches will occur within 12 months of the reporting date; and
- c in the absence of the breach, the liability would not have been due for settlement within 12 months of the reporting date.

Errors Made in Prior Periods

An error made in a prior reporting period which affects only amounts recognised in the statement of financial position must be corrected in the reporting period in which the error is discovered (assuming that the affected assets, liabilities or items of equity are still recognised at the reporting date) unless the entity has amended and reissued the financial report relating to the prior reporting period.

Disclosure of Fundamental Errors

"Fundamental errors" are defined as "material errors discovered in the current reporting period such that the financial report of one or more prior reporting periods cannot now be considered to have been reliable at the dates of their issue".

Fundamental errors must be corrected in the reporting period in which they are discovered unless the entity has amended and reissued the financial report relating to the prior reporting period.

Where a fundamental error has been corrected in the current reporting period, the financial report must disclose:

- a the nature of the fundamental error; and
- b the amount of the correction of the fundamental error relating to prior reporting periods.

Disclosure on the Face of Statement of Financial Position

The following classes of recognised items must be disclosed separately on the face of the statement of financial position:

- a assets: – cash assets, receivables, inventories, investments accounted for using the equity method, other financial assets, property, plant and equipment, tax assets and intangible assets;

b liabilities: – payables, interest-bearing liabilities, tax liabilities and provisions; and

c equity: – contributed equity, reserves, retained profits or accumulated losses and outside equity interest.

Other Disclosure Requirements

1 Assets

The Standard requires the disclosure of the following information:

a particulars of assets that combine amounts expected to be recovered through sale both within 12 months and 12 months or more from reporting date;

b the amounts of reductions in the carrying amounts of assets, including receivables and depreciable assets, as a deduction from the classes of assets to which they relate;

c particulars of assets that exceed their net fair value by a material amount and are supported by guarantees, warranties or indemnities;

d the carrying amount of any non-current assets pledged as security for liabilities and the related existence and amounts of restrictions on title;

e the carrying amount of non-current assets in the course of construction;

f particulars of land held for sale;

g particulars of material investments in entities that are not subsidiaries or associates; and

h particulars of the most recent valuations of land and buildings (other than land and buildings that are used in, or ancillary to, extractive industry operations and that possess a value that is wholly dependent on those extractive industry operations). The Standard requires such valuations to be determined at least once every three years.

2 Liabilities

The Standard requires the disclosure of the following information:

a particulars of liabilities that combine amounts expected to be settled both within 12 months and 12 months or more from reporting date;

b particulars of short term obligations included in non-current liabilities;

c particulars of secured liabilities; and

d particulars of commitments for expenditure (other than commitments for the supply of inventories).

3 Share, Units and Other Forms of Equity

The Standard requires the disclosure of the following information:

a particulars of each class of shares:

  i on issue as at the end of the financial year;

  ii issued during the financial year; and

  iii bought back or cancelled during the financial year; and

b particulars of the opening balance, movements, and the closing balance of retained profits or accumulated losses, and reserves.

AASB 1041: Revaluation Of Non-Current Assets

In December 1999, the AASB issued Accounting Standards AASB 1010 “Recoverable Amount of Non-current Assets” and AASB 1041 “Revaluation of Non-current Assets”. These Standards are operative for annual reporting periods beginning on or after 1 July 2000.

In July 2001, the AASB reissued AASB 1041 “Revaluation of Non-current Assets” which applies to annual reporting periods ending on or after 30 September 2001. The requirements of the revised Standard, as summarized below, are largely consistent with the requirements of the December 1999 version of AASB 1041.

Measurement Basis

Subsequent to initial recognition, each class of non-current assets must be measured on either the cost basis or fair value basis.

Cost Basis

Where a class of non-current assets is measured on the cost basis, in accordance with revised accounting standard AASB 1010 “Recoverable Amount of Non-Current Assets”, the entity must apply the recoverable amount test to each asset within that class.

Fair Value Basis

Where a class of non-current assets is measured on the fair value basis, revaluations must be made with sufficient regularity to ensure that the carrying amount of each asset within that class does not differ materially from its fair value at the reporting date.

Treatment of Revaluations

Revaluation increments and revaluation decrements must be offset against one another within a class of non-current assets, but must not be offset in respect of different classes of non-current assets.

The following accounting requirements apply to the net revaluation increment or revaluation decrement arising on the revaluation of non-current assets in the reporting period:

a Generally, a net revaluation increment relating to a class of non-current assets must be credited directly to an asset revaluation reserve. However, to the extent that the increment reverses a revaluation decrement previously recognised as an expense in net profit or loss in respect of that same class of non-current assets, it must be recognised immediately as revenue in net profit or loss; and

b Generally, a net revaluation decrement relating to a class of non-current assets must be recognised immediately as an expense in net profit or loss. However, to the extent, and only to the extent, that a credit balance exists in the asset revaluation reserve in respect of that same class of non-current assets, the revaluation decrement grossed up for any related recognised current tax and deferred tax must be debited directly to the asset revaluation reserve.

When an entity changes from applying the cost basis to the fair value basis to measure a class of non-current assets for which a recoverable amount write-down previously has been recognised, any increase in the carrying amount of the assets comprising that class up to the carrying amount that would have been determined for the assets had no recoverable amount write-down previously been recognised must be accounted for as a reversal of the recoverable amount write-down (that is, it must be recognised as a revenue in net profit or loss for the reporting period in which the reversal occurs). Any increase in the carrying amount of the assets above the carrying amount that would have been determined for the assets had no recoverable amount write-down previously been recognised must be accounted for as a revaluation increment in accordance with the method detailed above.

Revaluation of Depreciable Assets

Where depreciable assets are revalued, any balances of accumulated depreciation existing as at the revaluation date in respect of those assets must be credited to the asset accounts to which they relate. The asset accounts must then be increased or decreased by the amount of the revaluation increments or revaluation decrements.

However, where an entity revalues depreciable assets by reference to current prices for assets newer than those being revalued, and adjusts those amounts to reflect the present condition of the assets, it may restate separately the gross amounts and related accumulated depreciation of the assets comprising the class of revalued assets.

Disposal of Revalued Assets

The gain or loss on disposal of a non-current asset must be measured as the difference between the carrying amount of the asset as at the time of disposal and the net proceeds, if any, from disposal, and must be recognised in net profit or loss for the reporting period in which disposal of the asset occurs.

Changing the Measurement Basis for a Class of Non-Current Assets

An entity is permitted to change from the cost basis to the fair value basis to measure a class of non-current assets or may elect to discontinue revaluing a class of non-current assets, when and only when the change meets the criteria for a voluntary change in accounting policy in AASB 1001/AAS 6 "Accounting Policies". According to AASB 1001/AAS6, a voluntary change in accounting policy can only be made when and only when it results in an overall improvement in the relevance and reliability of financial information about the financial performance, financial position and cash flow of the entity.

Where an entity discontinues revaluation, it must measure the class of non-current assets at its carrying amount as at that date of discontinuing revaluation less any subsequent accumulated depreciation and subsequent accumulated recoverable amount write-downs or impairment losses. Any balances of accumulated depreciation as at the date of discontinuation of revaluation must be used as the basis for disclosing the gross amount and any related accumulated depreciation separately in accordance with AASB 1021/AAS 4 "Depreciation".

Disclosure Requirements

Non-Current Assets Measured at Fair Value

Where the fair value basis is applied for measuring a class of non-current assets, the financial report must disclose in respect of each class of revalued non-current assets:

a the method(s) used in determining fair values; and

b whether the revalued carrying amount has been determined in accordance with an independent valuation.

Where the fair value basis is applied for measuring a class of non-current assets, and the replacement cost of the asset's remaining future economic benefits calculated using an index has been used to determine the fair value of an asset within that class, the financial report must disclose the nature of the index used.

The financial report must disclose the balance of the asset revaluation reserve and, if the entity is a profit-seeking entity, disclose any restrictions on the distribution of the balance to owners.

Local Governments and Government Departments: Pre-Transfer Carrying Amount

Where a local government or government department recognises a class of non-current assets that is measured on the fair value basis and that class includes assets that are not measured at fair value, its financial report must disclose:

a the aggregate carrying amount of each of the following:

 i assets within that class which are carried at fair value less, where applicable, any accumulated depreciation; and

 ii assets within that class which are not carried at their fair value less, where applicable, any accumulated depreciation; and

b the basis or bases of valuation applied in respect of the amount disclosed.

Discontinuation of Revaluations of a Class of Non-Current Assets

Where an entity discontinues revaluation of a class of non-current assets during the reporting period and that change in accounting policy does not have a material effect in the current reporting period (that is, the reporting period in which the change was made), but will have a material effect in the next reporting period, the financial report for the next reporting period need not disclose the financial effect of the change in accounting policy as would otherwise be required by AASB 1001/AAS 6.

Other Disclosure Requirements

The financial report must disclose, in relation to each class of property, plant and equipment, a reconciliation of the carrying amount at the beginning and end of the reporting period, showing:

a additions;

b disposals;

c acquisitions through acquisitions of entities or operations;

d the net amount of revaluation increments less revaluation decrements;

e recoverable amount write-downs recognised in accordance with AASB 1010;

f reversals of recoverable amount write-downs;

g depreciation expense;

h the net foreign currency exchange differences arising on the translation of the financial statements of a self-sustaining foreign operation; and

i other movements.

Comparative information is not required for the reconciliation of the carrying amount at the beginning and end of the reporting period.

Transitional Provisions

General

The accounting policies required by this Standard must be applied as at the beginning of the reporting period to which this Standard is first applied.

On first applying this Standard, an entity may elect to apply either of the following policies to a class of non-current assets that was carried on a cost basis at the immediately preceding reporting period:

a continue to apply to cost basis to that class of non-current assets in accordance with AASB 1041;

b apply the fair value basis in accordance with AASB 1041, after making initial adjustments in accordance with paragraph (a) under the heading "Transition to the Fair Value Basis" below.

On first applying this Standard, an entity may elect to apply either of the following policies to a class of non-current assets that was carried on a basis other than cost at the immediately preceding reporting date:

a continue to revalue the assets in that class of non-current assets in accordance with AASB 1041, after making initial adjustments in accordance with the transitional provisions contained in paragraph (b) under the heading "Transition to the Fair Value Basis" below, if necessary; or

b revert to the cost basis in accordance with the transitional provisions outlined under the heading "Reverting from a Revaluation Basis to the Cost Basis" below.

Transition to the Fair Value Basis

Where, as at the date of first applying this Standard, an entity elects to initially apply the fair value basis of measuring a class of non-current assets:

a if the entity is changing from applying the cost basis to that class of non-current assets, and a recoverable amount write-down previously has been recognised in respect of that class, any increase in the carrying amount of the assets comprising that class up to the carrying amount that would have been determined for the assets had no recoverable amount write-down previously been recognised must be credited directly to retained profits or accumulated losses. Any net increase in the carrying amount of the assets above the carrying amount that would have been determined for the assets had no recoverable amount write-down previously been recognised must be credited directly to the asset revaluation reserve;

b where paragraph (a) above does not apply:

    i any net revaluation increment arising upon revaluing those assets to their fair value as at that date must be credited directly to the asset revaluation reserve except that, to the extent the net increment reverses a net revaluation decrement previously recognised as an expense in net profit or loss in respect of the same class of non-current assets, it must be credited directly to retained profits or accumulated losses; and

    ii any net revaluation decrement arising upon revaluing those assets to their fair value as at that date must, to the extent that a credit balance exists in the asset revaluation reserve in respect of that class of non-current assets, be debited directly to the asset revaluation reserve, and any remainder of the net revaluation decrement must be debited directly to retained profits or accumulated losses.

Where an entity applied AASB 1041/AAS 38 (issued in December 1999) and changed from a revaluation basis to the cost basis for a class of non-current assets, and elects to apply the fair value basis for that class of non-current assets on first applying AASB 1041 (issued in July 2001), it must make adjustments that result in the carrying amounts of the class of non-current assets, the asset revaluation reserve and retained profits or accumulated losses that would have been recognised when this Standard is first applied if the entity had not previously changed to the cost basis.

Reverting from a Revaluation Basis to the Cost Basis

On first applying this Standard, an entity may elect to revert to the cost basis for measuring a class of non-current assets that was carried at a revalued amount at the immediately preceding reporting date by applying either of the following policies:

a deeming the carrying amount of the non-current assets comprising the class at the date of first applying this Standard to be their cost; or

b making retrospective adjustments to measure the non-current assets comprising the class at their cost of acquisition less any accumulated depreciation and any accumulated recoverable amount write-downs, as if they had always been measured using the cost basis. For that class of non-current assets, the resulting increments and decrements to the carrying amounts of assets must be recognised by making the following adjustments:

  i debiting the credit balance of the asset revaluation reserve for that class;

  ii directly adjusting retained profits or accumulated losses by the effect of previous revaluations on the amount of accumulated depreciation; and

  iii directly adjusting retained profits or accumulated losses for any amounts not able to be adjusted in accordance with paragraph (b)(i) above.

Where an entity elects to apply paragraph (a) above to a class of non-current assets, any balances of accumulated depreciation and accumulated recoverable amount write-downs or impairment losses existing in respect of that class of non-current assets as at the date of first applying this Standard must be used as the basis for disclosing the gross amount and any related accumulated depreciation separately in accordance with AASB 1021/AAS 4. Where an entity reverts to the cost basis of measurement by deeming the carrying amount of non-current assets to be their cost (under paragraph (a) above) and that change in accounting policy does not have a material effect in the current reporting period (that is, the reporting period in which the change was made), but will have a material effect in the next reporting period, the financial report for the next reporting period need not disclose the financial effect of the change in accounting policy as would otherwise be required by AASB 1001/AAS 6.

Where, under paragraph (b) above, an entity elects to make retrospective adjustments to measure a class of non-current assets at its cost of acquisition less any accumulated depreciation and any accumulated recoverable amount write-downs, as if it had always been measured using the cost basis, any balances of accumulated depreciation and accumulated recoverable amount write-downs or impairment losses in respect of that class of non-current assets as at the date of first applying this Standard must be restated separately to the amounts that would have been recorded in the accounting records if they had always been measured using the cost basis.

AASB 1042: Discontinuing Operations

The Standard was issued in August 2000 and applies to annual reporting periods beginning on or after 1 July 2001.

Discontinuing Operations

A restructuring, transaction or other event must be reported as a discontinuing operation when, and only when, it meets the definition of a discontinuing operation.

"Discontinuing operation" means a major component of an entity:

a that the entity's management or governing body has developed a single plan to:

  i dispose of in its entirety through one or more transactions;

  ii abandon; or

  iii terminate through a combination of one or more transactions and abandonment;

b that represents a separate major activity or geographical area of operations; and

c that can be separately identified for operational and financial reporting purposes.

Recognition and Measurement

Assets, liabilities, revenues and expenses must be attributed to a discontinuing operation in the financial reports of the entity when, and only when, they will be eliminated in the financial reports of that entity when the operation is discontinued.

Assets, liabilities, revenues, expenses and cash flows attributed to a discontinuing operation must be recognised and measured in accordance with the requirements of other Standards.

All revenues and expenses arising from a discontinuing operation must be classified within ordinary activities, except that where an individual revenue or expense associated with a discontinuing operation meets the definition of an extraordinary item, that revenue or expense must be classified as an extraordinary item.

Disclosure Requirements

Initial Disclosure Event

"Initial disclosure event" means the occurrence of one of the following, whichever occurs earlier:

- a the entity has entered into a binding sale agreement for all of the assets attributable to the discontinuing operation; or
- b the entity's management or governing body has both:
  - i approved a detailed formal plan for the discontinuance; and
  - ii made an announcement of the plan;

such that it is highly unlikely that the entity will withdraw from the discontinuance.

Disclosure of the Discontinuing Operation

For each discontinuing operation, the following information must be disclosed in the financial report for the reporting period in which the initial disclosure event occurs and in the financial report for each reporting period up to and including the reporting period in which the operation is discontinued:

- a a description of the discontinuing operation;
- b the business segments, geographical segments or, in the public sector, major activities in which the discontinuing operation is reported;
- c the date and nature of the initial disclosure event;
- d the date on, or the period in which, the operation is expected to be discontinued, if known or determinable, or that the period is not determinable;
- e for the entity:
  - i the carrying amounts as at the reporting date of the total assets to be disposed of and the total liabilities to be settled as part of the discontinuance;
  - ii the amounts of revenues, expenses and profit or loss/result from ordinary activities before income tax expense (income tax revenue), together with the related income tax expense (income tax revenue), attributed to the discontinuing operation during the reporting period; and
  - iii the amounts of net cash flows attributed to each of the operating, investing and financing activities of the discontinuing operation during the reporting period; and
- f for each reportable segment containing a discontinuing operation:
  - i the carrying amounts as at the reporting date of the total assets to be disposed of and the total liabilities to be settled as part of the discontinuance; and
  - ii the amounts of revenues, expenses and profit or loss/result from ordinary activities before income tax expense (income tax revenue), together with the related income tax expense (income tax revenue), attributed to the discontinuing operation during the reporting period.

Disposal of Assets or Settlement of Liabilities

In relation to each discontinuing operation, when the entity enters into binding agreements for the sale of assets or the settlement of liabilities attributed to the discontinuing operation, the financial report must disclose:

- a the net selling price or range of prices of the net assets for which the entity has entered into one or more binding sale agreements in the reporting period;
- b the expected timing of the related cash flows; and
- c the carrying amount of those net assets.

In relation to each discontinuing operation, when the entity disposes of assets or settles liabilities the financial report must disclose:

- a the aggregate amount of any profit or loss/result before income tax expense (income tax revenue) for the reporting period that is recognised on the disposal of assets or settlement of liabilities attributed to the discontinuing operation; and
- b the aggregate income tax expense (income tax revenue) related to the disposal of assets or settlement of liabilities attributed to the discontinuing operation.

Updating the Disclosures

In relation to each discontinuing operation, in reporting periods subsequent to the one in which the initial disclosure event occurs up to and including the reporting period in which the operation is discontinued, the financial report must disclose:

a a description of any transactions, events or activities relating to the discontinuing operation; and

b a description of any changes during the reporting period in the anticipated amount or timing of cash flows relating to the assets to be disposed of and the liabilities to be settled and the events causing those changes.

For each discontinuing operation that is not discontinued in the annual reporting period immediately following the annual reporting period in which the initial disclosure event occurred, the following must be disclosed in the financial report for each annual reporting period after the annual reporting period in which the initial disclosure event occurred until the annual reporting period in which the operation is discontinued:

a the reasons for the extended period of discontinuation; and

b a description of the active plans for discontinuation.

Withdrawal from a Plan

If the entity withdraws from a plan in relation to an operation that was previously reported as a discontinuing operation, the financial report must include an explanation of the withdrawal from the plan. This explanation must include, but is not limited to:

a the reasons for the withdrawal; and

b the effect of the withdrawal on the assets, liabilities, revenues and expenses of the entity.

If the entity withdraws from a plan to discontinue an operation, the comparative information in the financial report must be presented as if the operation had never been discontinuing.

AASB 1043: Changes to the Application of AASB and AAS Standards and other amendments

The Standard was issued in December 2000 and applies to annual reporting periods and interim reporting periods ending on or after 31 December 2000.

The purpose of the Standard is to:

a extend the application of certain Accounting Standards (AASB Standards) from companies and disclosing entities to entities to which AASB Standards apply; and

b stipulate that entities need not comply with the annual reporting presentation and disclosure requirements of certain AASB Standards and Australian Accounting Standards (AAS Standards) when preparing interim financial reports in accordance with either Accounting Standard AASB 1029 “Half-Year Accounts and Consolidated Accounts”, as issued in December 1994 or Accounting Standard AASB 1029 “Interim Financial Reporting”, as issued in October 2000.

AASB 1044: Provisions, Contingent Liabilities and Contingent Assets

This standard was issued in October 2001 and applies to annual reporting periods beginning on or after 1 July 2002.

Provisions

For a provision to exist, the entity must have a present legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events and the amount or timing of this future sacrifice of economic benefits is uncertain. Provisions can only be recognised when it is probable that the sacrifice of future economic benefits will occur and the amount of the provision can be reliably measured.

Recoveries

Where some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the recovery receivable must be recognised as an asset when it is probable that the recovery will be received and the amount of the recovery receivable can be reliably measured. The expense recognised in respect of the provision may be shown in the statement of financial performance net of the recovery.

Similarly, the provision and the related asset (recovery receivable) must be set-off and a net amount must be recognised in the statement of financial position when the entity:

a has a legally recognised right to set-off the asset and the provision; and

b intends to settle on a net basis or to realise the asset and settle the provision simultaneously.

Contingent Liabilities and Contingent Assets

A contingent liability and contingent asset must not be recognised in the statement of financial position.

Measurement of Provisions

The amount recognised as a provision must be the best estimate of the consideration required to settle the present obligation as at the reporting date, taking into account the risks and uncertainties that surround the events and circumstances that affect the provision. Future events expected to affect the consideration required to settle the present obligation must be reflected in the amount provided, when there is reliable evidence that the future event will occur. Gains expected from disposal of assets cannot be taken into account in measuring a provision.

Where an entity measures a provision by estimating cash flows, its carrying amount must be the present value as at the reporting date of those cash flows. The discount rate to be used must be the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Specific Applications

Future Operating Losses

Estimated future operating losses are not liabilities and cannot be recognised as a provision.

Onerous Contracts

An onerous contract is defined as a contract under which the entity's unavoidable costs of meeting its obligations under the contract exceed the economic benefits to be received. The present obligation arising from onerous contracts must be recognised and measured as a provision to the extent it exceeds the unrecognised assets.

Restructuring Other than as Part of an Acquisition of an Entity or Operation

Where a restructuring is not part of an acquisition of another entity, a provision can only be recognised when the entity has:

a developed a detailed formal plan for the restructuring identifying at least:

  i the entity or operation concerned;

  ii the principal locations affected;

  iii the location, function and approximate number of employees who will be compensated for terminating their services or changing their terms and conditions of employment;

  iv the future sacrifices of economic benefits that will be made; and

  v when the plan will be implemented; and

b taken either or both of the following actions:

  i entered into firm contracts to carry out features of the restructuring, the penalty provisions of which leave the entity with no realistic alternative but to proceed with the restructuring; and

  ii raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the detailed formal plan or announcing the main features of the plan to those affected by it (or representatives). As a consequence, the affected parties can be expected to act in a manner such that the entity has no realistic alternative but to proceed with restructuring.

Provisions for restructuring must only include those costs that are directly and necessarily caused by the restructuring and must not include termination benefits or any costs associated with the ongoing activities of the entity.

Restructuring as Part of an Acquisition of an Entity or Operation

Where a restructuring is part of an acquisition of another entity, a provision for restructuring exists when the acquirer has:

a at or before the date of acquisition, developed the main features of a plan that involves restructuring the activities of the acquiree and relates to:
   i closing facilities of the acquiree;
   ii eliminating product or service lines of the acquiree; or
   iii terminating contracts of the acquiree that have become onerous because the acquirer has communicated to the other party at or before the date of acquisition that the contract will be terminated;

b by the earlier of three months after the date of acquisition and the time of completion of the annual financial report, developed the main features of the plan described above into a detailed formal plan (as described above); and

c at or before the date of acquisition entered into firm contracts to carry out the restructuring (as described above) and raised a valid expectation in those affected that it will carry out the restructuring (as described above).

A provision for restructuring must be recognised by the acquiree as at the date of acquisition and taken into account by the acquirer in measuring the fair value of identifiable net assets acquired when:

a the acquiree has satisfied the conditions outlined above; and

b it is probable a future sacrifice of economic benefits will be required and the amount of the provision can be reliably measured.

Dividends

A liability must be recognised for dividends declared, determined or publicly recommended on or before the reporting date.

If the dividends are declared, determined or publicly recommended by the time of completion but not on or before the reporting date, a liability must not be recognised. However, this amount must be disclosed in the financial report.

Disclosure Requirements

The financial report must disclose the following information concerning provisions:

a a brief description of the nature of the present obligation and of any significant uncertainty about the amount of the future sacrifice of economic benefits and the amount of any related estimated recovery for each class of provisions; and

b movements during the reporting period of each class of provisions.

When making the above disclosure, the provisions for restructurings and liabilities for termination benefits must be treated as a separate class of provisions. In addition, the carrying amount as at the reporting date for these items must be separately disclosed for each acquisition.

The financial report must disclosure the following information concerning contingent assets and contingent liabilities:

a a brief description of the nature of the contingent liabilities and contingent assets;

b an indication of the uncertainties in the timing and amount of any future sacrifice or inflow of economic benefits;

c an estimate of the potential effect, measured in the same way as is required for provisions; and

d for each class of contingent liabilities, the existence and amount of any possible recovery.

AASB 1045: Land Under Roads

This standard was issued in October 2002 and applies to annual reporting periods ending on or after 31 December 2002. The standard applies to general purpose financial reports of local governments, government departments and Commonwealth, State and Territory Governments. The standard alters the expiry date of the land under roads transitional provisions in Australian Accounting Standards AAS 27A "Amendments to the Transitional Provisions of AAS 27", AAS 29A "Amendments to the Transitional Provisions of AAS 29" and AAS 31A "Amendments to the Transitional Provisions of AAS 31" from 31 December 2002 to 31 December 2006.

Part Four – Australian Accounting Standards (AAS)

Background

Prior to August 2000, Australian Accounting Standards (AAS) were issued jointly by the Institute of Chartered Accountants in Australia (ICAA) and the then Australian Society of Certified Practising Accountants (now known as CPA Australia). AAS apply to general purpose financial reports of all entities that are not required to comply with AASB Accounting Standards.

In August 2000 the AASB commenced the issue of Standards in a format that combines the formats previously used in AASB Standards and AAS Standards in order to move towards the issue of a single series of Standards. That is, Standards now issued by the AASB will have application to reporting entities required to prepare financial reports under Part 2M.3 of the Corporations Act 2001, and general purpose financial reports of other reporting entities (that is, entities that previously would have applied AASs).

At the date of this publication, Standards that have been released in the combined format are:

- AASB 1005 "Segment Reporting";
- AASB 1012 "Foreign Currency Translation";
- AASB 1018 "Statement of Financial Performance";
- AASB 1027 "Earnings Per Share";
- AASB 1028 "Employee Benefits";
- AASB 1029 "Interim Financial Reporting";
- AASB 1041 "Revaluation of Non-current Assets" (June 2001);
- AASB 1042 "Discontinuing Operations";
- AASB 1043 "Changes to the Application of AASB and AAS Standards and Other Amendments";
- AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"; and
- AASB 1045 "Land Under Roads".

Despite the move towards a single set of Accounting Standard in August 2001, the AASB did not withdraw or reissue all existing AAS as AASB. AAS are only superseded once a revised AASB standard has been issued.

Part 3 of this guide identifies the comparative AAS relating to each AASB. Significant differences between the AASs and the corresponding AASBs (if any) are detailed below.

AAS 22: Related Party Disclosures (AASB 1017)

Similar to AASB 1017, except in relation to the disclosure of directors' remuneration, payments made to directors and executives in connection with retirement from office, and directors' loans.

AAS 25: Financial Reporting by Superannuation Plans

Application

The Standard applies to each superannuation plan in the private or public sector that is a reporting entity, and as such would not normally apply to single member plans.

AAS 25 applies to both:

a defined contribution plans – where amounts paid on normal retirement are determined by reference to accumulated contributions and investment earnings; and

b defined benefit plans – where amounts paid on normal retirement are determined, in part, by reference to a formula based on years service and/or salary levels.

Requirements for each type of plan are as follows:

Defined Contribution Plans

1 Financial Reporting

The financial report comprises:

a Statement of Financial Position;

b Statement of Cash Flows; and

c Accompanying Notes

An exception exists for plans whose only assets are endowment, whole of life or other long term insurance policies.

2 Treatment of Accrued Benefits

Accrued benefits are required to be shown as liabilities and are measured as the difference between the carrying amount of all assets and all "other" liabilities of the plan.

3 Treatment of Assets

Assets are measured at net market values, any changes that occurs in net market values are recognised in net profit or loss in the period it arises.

Defined Benefit Plans

1 Financial Reporting

The financial report comprises:

a Statement of Net Assets; and

b Statement of Changes in Net Assets.

Where accrued benefits are measured at the end of the period there is an option to use the Defined Contribution Plan reporting requirements.

2 Treatment of Accrued Benefits

Accrued benefits are required to be measured, using actuarial assumptions and valuations where appropriate, as the present value of expected future payments arising from membership of the plan.

3 Treatment of Assets

Assets are measured at net market values, as per Defined Contribution Plans.

The Standard is very comprehensive and complex and reference should be made to it for more detailed guidance.

Disclosure Requirements

The following disclosures are required (Note: Disclosure required only for the Defined Contribution Plans (DCP) or the Defined Benefit Plan (DBP) are indicated as appropriate.)

In the Statement of Financial Position (DCP) or Statement of Net Assets (DBP):

a assets, showing separately investments and other assets by class;

b liabilities:

- i for DCP – showing separately liability for accrued benefits and other liabilities by class; or
- ii for DBP – showing separately each class of liability but excluding liability for accrued benefits;

c by note or otherwise, accrued benefits allocated to members' accounts and the amount not yet so allocated (DCP only);

d net assets available to pay benefits (DBP only); and

e by note:

- i liability for accrued benefits and the date it was measured (DBP only);
- ii changes in liability for accrued benefits (DCP only);
- iii changes in liability for accrued benefits where accrued benefits were measured in the period, the benefits accrued since the last measurement date (DBP only);
- iv vested benefits;
- v payments by new entrants as consideration for additional benefits (DBP only);
- vi any benefits guaranteed, identity of guarantor, nature of guarantee and any changes from previous period; and
- vii method for determining market values of each class of asset.

In the Operating Statement (DCP) or Statement of Changes in Net Assets (DBP)

a revenue, showing separately:
  i amount of net assets available for benefits at beginning and end of period (DBP only);
  ii investment revenue and its individual components (including changes in net market values of investments for each class);
  iii contributions by employees;
  iv contributions by employers;
  v changes in net market value of other assets (DBP only);
  vi other revenue (including proceeds from term insurance policies);
  vii direct investment, general administration and income tax expenses;
  viii benefits accrued during period (DCP only); and
  ix benefits paid (DBP only); and

b by way of note:
  i separately, change during the reporting period in net market value of investments held at the reporting date, other assets held at the reporting date and of investments and other assets realised during period; and
  ii rate or other basis of contributions by employers and members, and any change over previous period.

The appendices to the Standard give detailed examples of the financial statement formats.

Actuarial Information – Defined Benefit Plans

Defined benefit plans are required to append to their financial statements a copy or summary of the most recent actuarial report, detailing:

a effective date of the report;

b name and qualifications of the actuary;

c relationship of the market value of assets to aggregate vested benefits; and

d opinion of the actuary as to the financial condition of the plan.

Trustees' Report

The discussion paragraphs of the Standard recommend that the financial statements be accompanied by a trustees' reporting containing:

a comments on investment performance and policies of the fund;

b details of significant features of the operations;

c confirm that the trust deed has been complied with or state which requirements were not complied with; and

d include a formal statement as to the fairness of presentation of the financial statements.

AAS 27: Financial Reporting by Local Governments

Purpose

The purpose of this Standard is to set out standards for the form and content of general purpose financial reports (GPFRs) of local governments. To the extent that the requirements of this Standard differ from the requirements of other Australian Accounting Standards, the requirements of this Standard shall be applied.

Preparation of General Purpose Financial Reports

GPFRs shall be prepared in accordance with Australian Accounting Standards, other than AASB 1005 "Segment Reporting" and AAS 22 "Related Party Disclosures".

Consolidated financial statements shall be prepared as required by and in accordance with AAS 24 "Consolidated Financial Reports".

Contents of General Purpose Financial Statements

The GPFR shall include an operating statement, a statement of financial position, a statement of changes in equity and a statement of cash flows.

Recognition of Assets, Liabilities, Revenues and Expenses

The recognition of assets, liabilities, revenues and expenses is consistent with SAC 4 "Definition and Recognition of the Elements of Financial Statements". Where assets are acquired at no cost or for nominal consideration, they must initially be recognised at their fair value as at the date of acquisition.

However, where for assets that are acquired as a consequence of a restructure of administrative arrangements, they may initially be recognised at the amounts at which they were recognised by the transferor government department at the date of the transfer, or at their fair values.

For assets and liabilities arising from agreements which are equally proportionately unperformed, a local government may elect not to recognise them in the statement of financial position.

Assets, liabilities, revenues and expenses shall be classified according to their nature and type in the GPFR by way of note or otherwise. In addition, assets and liabilities shall be classified into current and non-current categories.

Each class of equity shall be disclosed separately, by way of note or otherwise.

Other Guidance

The Standard also prescribes the methods to be adopted when accounting for:

a depreciation of non-current assets;

b contributions (other than contributions by owners); and

c revaluations of non-current assets.

Disclosure Requirements

There are a number of disclosure requirements for local governments which are designed to assist users in identifying the resources committed to particular functions and activities, the costs of service delivery of such functions and activities, and the extent to which those costs have been recovered from revenues attributable to such functions and activities. These include disclosures in relation to:

a assets and liabilities transferred to the local government for no cost or for nominal consideration, and the identity of the transferor local government;

b restricted assets;

c conditions of contributions;

d nature and financial effect of any non-compliance with externally imposed requirements; and

e performance indicators.

In addition to the above disclosures, the revised Standard requires the disclosure of capital expenditure commitments contracted for as at the reporting date.

Frequency, Timeliness and Availability of GPFRs

A GPFR must be prepared at least annually and made readily available to users on a timely basis. The local government shall publicly inform the local government community of the availability of the report.

Transitional Provisions

Although local governments are encouraged to apply the full provisions of this Standard, they may elect not to recognise land under roads as an asset in the statement of financial position.

During the transitional period, where a local government elects not to recognise land under roads as an asset in the statement of financial position, it must disclose that policy in the summary of accounting policies.

These transitional provisions shall apply from the commencement of the reporting period to which this Standard is first applied, until the end of the first reporting period ending on or after 31December 2006.

Where land under roads is first recognised in the statement of financial position, or its recognition is discontinued, during the transitional period specified above, the net amount of the resultant adjustments shall be adjusted against accumulated surplus/deficiency in the reporting periods in which the assets are first recognised or their recognition is discontinued. If subsequently, the recognised amounts of land under roads are revised during the transitional period specified above to reflect a reassessment of the factors used to determine those recognised amounts, the net amount of the resultant adjustments shall be adjusted against accumulated surplus/deficiency in the reporting periods in which the recognised amounts are revised.

AAS 29: Financial Reporting by Government Departments

Purpose

The purpose of this Standard is to set out standards for the form and content of general purpose financial reports (GPFRs) of government departments.

Key Definitions

"Government departments" are defined as government controlled entities, created pursuant to administrative arrangements or otherwise designated as a government department by the government which controls it.

Preparation of General Purpose Financial Reports

GPFRs shall be prepared in accordance with Australian Accounting Standards, other than AASB 1005 "Segment Reporting" and AAS 22 "Related Party Disclosures". To the extent that the requirements of this Standard differ from the requirements of other Australian Accounting Standards, the requirements of this Standard shall be applied.

The GPFR shall disclose the identity of the legislation or other authority pursuant to which the GPFR has been prepared.

The GPFR shall encompass all entities controlled by the government department and shall be prepared in accordance with AAS 24 "Consolidated Financial Reports".

Contents of the General Purpose Financial Reports

The GPFR shall include an operating statement, a statement of financial position and a statement of cash flows.

Recognition of Assets, Liabilities, Revenues and Expenses

The recognition of assets, liabilities, revenues and expenses is consistent with SAC 4 "Definition and Recognition of the Elements of Financial Statements". Where assets are acquired at no cost or for nominal consideration, they shall initially be recognised at their fair value as at the date of acquisition. However, where these assets are acquired as a consequence of a restructure of administrative arrangements, they may initially be recognised at the amounts at which they were recognised by the transferor government department at the date of the transfer.

Assets, liabilities, revenues and expenses shall be classified according to their nature and type in the GPFR by way of note or otherwise. In addition, assets and liabilities shall be classified into current and non-current categories.

For assets and liabilities arising from agreements which are equally proportionately unperformed, a local government may elect not to recognise them in the statement of financial position.

Other Guidance

The Standard also prescribes the methods to be adopted when accounting for:

a revaluation of non-current assets;

b depreciation of non-current assets;

c user charges, fines and fees;

d parliamentary appropriations;

e revenues and expenses resulting from restructuring of administrative arrangements;

f contributions such as grants, donations and gifts; and

g contributions by owners and distributions to owners.

Disclosure Requirements

There are a number of disclosure requirements for government departments which are designed to assist users in evaluating the efficiency and effectiveness of the government department. These include disclosures in relation to:

a restricted assets;

b conditions of contributions;

c changes in equity;

d compliance with parliamentary appropriations and other externally imposed requirements;

e service costs and achievements;

f activities transferred from one government department to another;

g administration revenues, expenses, assets and liabilities; and

h performance indicators.

Frequency, Timeliness and Availability of GPFRs

A GPFR must be prepared at least annually and made available to users on a timely basis.

Transitional Provisions

Although government departments are encouraged to apply the full provisions of this Standard, they may elect, until the end of the first reporting period ending on or after 31December 2006, not to recognise land under roads as an asset in the statement of financial position. Where a government department elects not to recognise land under roads as an asset in the statement of financial position, it must disclose that policy in the summary of accounting policies.

Where a government department:

a elects not to recognise land under roads in accordance with the above transitional provisions and then subsequently recognises that asset; or

b before 30 June 2000, recognises a pre-existing but previously unidentified asset or liability for the first time or makes a correction to an amount previously recognised as an asset or liability; or

c derecognises land under roads in order to adopt the above transitional provisions;

the corresponding adjustment must be made against accumulated surplus/deficiency. The nature and amount of each adjustment made during the reporting period must be disclosed in the financial report.

Comparative Information

Comparative information does not need to be disclosed for service costs and achievements where a significant change in the basis upon which that information is determined makes disclosures of comparative information impractical.

AAS 31: Financial Reporting by Governments

Purpose

The purpose of this Standard is to set out standards for the form and content of general purpose financial reports (GPFRs) of Commonwealth, State and Territory Governments.

Preparation of General Purpose Financial Reports

GPFRs shall be prepared in accordance with Australian Accounting Standards, other than AASB 1005 “Segment Reporting” and AAS 22 “Related Party Disclosures”. To the extent that the requirements of this Standard differ from the requirements of other Australian Accounting Standards, the requirements of this Standard shall be applied.

The GPFR must disclose the identity of the legislation or other authority pursuant to which the GPFR has been prepared.

The GPFR must encompass all entities controlled by the government and shall be prepared in accordance with AAS 24 “Consolidated Financial Reports”.

Contents of the General Purpose Financial Reports

The GPFR must include an operating statement, a statement of financial position and a statement of cash flows.

Recognition of Assets, Liabilities, Revenues and Expenses

The recognition of assets, liabilities, revenues and expenses is consistent with SAC 4 "Definition and Recognition of the Elements of Financial Statements". Where assets are acquired at no cost or for nominal consideration, they shall initially be recognised at their fair value as at the date of acquisition.

Assets, liabilities, revenues and expenses must be classified according to their nature and type in the GPFR by way of note or otherwise. In addition, assets and liabilities must be classified into current and non-current categories.

Each class of equity shall be disclosed separately, by way of note or otherwise.

For assets and liabilities arising from agreements which are equally proportionately unperformed, a government may elect not to recognise them in the statement of financial position.

Other Guidance

The Standard also prescribes the methods to be adopted when accounting for:

a depreciation of non-current assets;

b contributions (other than contributions by owners); and

c revaluations of non-current assets.

Disclosure Requirements

There are a number of disclosure requirements for governments which are designed to assist users in evaluating the efficiency and effectiveness of the government. These include disclosures in relation to:

a the accounting policies adopted for recognising each major type of tax revenue;

b liabilities that fail the recognition criteria;

c capital expenditure commitments contracted for as at the reporting date;

d the net cash flows of government-controlled financial institutions;

e disaggregated information relating to the financial performance and financial position showing the government's activities and other items relevant to users' needs; and

f performance indicators.

The disclosure requirements of the following Australian Accounting Standards do not apply where the requirements of this Standard are adopted:

a disclosure of transfers to and from reserves (AAS 1);

b separate disclosure of the capital, retained surplus or accumulated deficit, and reserves comprising the outside equity interest (AAS 24); and

c the disclosure of details regarding unused loan and credit facilities (AAS 28).

Frequency, Timing and Availability of GPFRs

A GPFR must be prepared at least annually and made readily available to users on a timely basis.

Transitional Provisions

Although governments are encouraged to apply the full provisions of this Standard, they may elect, until the end of the first reporting period ending on or after 31 December 2006, not to recognise land under roads as an asset in the statement of financial position. Where a government elects not to recognise land under roads as an asset in the statement of financial position, it must disclose that policy in the summary of accounting policies.

Where a government:

a elects not to recognise land under roads in accordance with the above transitional provisions and then subsequently recognises that asset; or

b in reporting periods ending on or before 30 June 2001, recognises a pre-existing but previously unidentified asset or liability for the first time or makes a correction to an amount previously recognised as an asset or liability; or

c derecognises land under roads in order to adopt the above transitional provisions;

the corresponding adjustment must be made against accumulated surplus/deficiency. The nature and amount of each adjustment made during the reporting period must be disclosed in the financial report.

Comparative Information

Comparative information is not required to be disclosed for disaggregated information in respect of broad sectors of activity where a significant change in the basis upon which that information is determined makes disclosure of the comparative information impractical.

Part Five – Urgent Issues Group Consensus Views

Urgent Issues Group Consensus Views

The Urgent Issues Group (UIG) was established in 1994 by the Institute of Chartered Accountants in Australia (ICAA), the then Australian Society of Certified Practicing Accountants (now known as CPA Australia), the Australian Accounting Standards Board (AASB) and the Public Sector Accounting Standards Board (PSASB). Following amendments to the Corporations Act 2001, the UIG was reestablished on 1 January 2000 as a committee of the AASB.

The UIGs terms of reference are to review on a timely basis and within the context of existing Accounting Standards and Statements of Accounting Concepts, accounting issues that are likely to receive divergent or unacceptable treatment in the absence of authoritative guidance, with the view to reaching a consensus as to the appropriate accounting treatment.

UIG Abstracts

The following table lists UIG Abstracts currently on issue.

Number	Subject
Abstract 1	Lessee Accounting for Surplus Leased Space under a Non-cancellable Operating Lease
Abstract 2	Accounting for Non-vesting Sick Leave
Abstract 3	Lessee Accounting for Lease Incentives Under a Non-Cancellable Operating Lease
Abstract 4	Disclosure of Accounting Policies for Restoration Obligations in the Extractive Industries
Abstract 6	Accounting For Acquisitions – Deferred Settlement of Cash Consideration
Abstract 7	Accounting For Non-Current Assets – Derecognition of Intangible Assets and Change in the Basis of Measurement of a Class of Assets
Abstract 8	Accounting for Acquisitions – Recognition of Restructuring Costs as Liabilities
Abstract 9	Accounting for Acquisitions – Recognition of Acquired Tax Losses
Abstract 10	Accounting for Acquisitions – Gold Mining Companies
Abstract 11	Accounting for Contributions of, or Contributions for the Acquisition of, Non Current Assets
Abstract 12	Accounting for the Costs of Modifying Computer Software for the Year 2000
Abstract 13	The Presentation of the Financial Report of Entities Whose Securities are "Stapled"
Abstract 14	Directors' Remuneration
Abstract 15	Early Termination of Foreign Currency Hedges
Abstract 16	Accounting for Share Buy-Backs
Abstract 17	Developer and Customer Contributions in Price Regulated Industries
Abstract 18	Early Termination of Gold Hedges
Abstract 19	The Superannuation Contributions Surcharge
Abstract 20	Equity Accounting – Elimination of Unrealised Profits and Losses on Transactions with Associates
Abstract 21	Consistency – Different Cost Formulas for Inventories
Abstract 22	Accounting for the Buy-Back of No Par Value Shares
Abstract 23	Transaction Costs Arising on the Issue or Intended Issue of Equity Instruments
Abstract 24	Equity Accounting – Carrying Amount of an Investment in an Associate
Abstract 25	Redesignation of Hedges
Abstract 26	Accounting for Major Cyclical Maintenance
Abstract 27	Designation as Hedges – Sold (Written) Options
Abstract 28	Consolidation – Special Purpose Entities
Abstract 29	Early Termination of Interest Rate Swaps
Abstract 30	Depreciation of Long-Lived Physical Assets, including Infrastructure Assets: Condition-Based Depreciation and Other Related Methods
Abstract 31	Accounting for the Goods and Services Tax (GST)
Abstract 32	Designation as Hedges – Rollover Strategies
Abstract 33	Hedges of Anticipated Purchases and Sales
Abstract 34	Acquisitions and Goodwill – First-Time Application of Accounting Standards
Abstract 35	Disclosure of Contingent Liabilities
Abstract 36	Non-Monetary Contributions Establishing a Joint Venture Entity
Abstract 37	Accounting for Web Site Costs
Abstract 38	Contributions by Owners Made to Wholly-Owned Public Sector Entities
Abstract 39	Effect of Tax Consolidation Proposals on Deferred Tax Balances

Abstract 40	Non-Reciprocal Transfers within an Economic Entity for Monetary or No Consideration
Abstract 41	Fair Value of Equity Instruments Issued as Purchase Consideration
Abstract 42	Subscriber Acquisition Costs in the Telecommunication Industry
Abstract 43	Classification of Financial Instruments with Conversion Options
Abstract 44	Acquisition of in-process research and development
Abstract 45	Subsidiary becomes a joint venture entity or an associate
Abstract 46	Initial Foreign Currency Translation for Redomiciled Entities
Abstract 47	Professional Indemnity Claims Liabilities in Medical Defence Organisations
Abstract 48	Status of Tax Consolidation Legislation
Abstract 49	Revenue - Barter Transactions involving Advertising Services
Abstract 50	Evaluating the Substance of Transactions involving the Legal Form of a Lease
Abstract 51	Recovery of Unfunded Superannuation of Universities
Abstract 52	Income Tax Accounting Under the Tax Consolidation System

Abstract 1: Lessee Accounting for Surplus Leased Space under a Non-Cancellable Operating Lease

Application and Operative Date

This consensus applies to all reporting entities for reporting periods ended on or after 2 September 1995.

Consensus Reached

1 When a lease is non-cancellable and future payments thereunder are for surplus space, a liability and an expense shall be recognised.

2 The amount recognised in accordance with point 1 above, shall be the total expected outlay relating to the surplus space as specified under the lease, discounted using the interest rate implicit in the lease or an estimate thereof (ie. by reference to the fair value of the leased asset, the term of the lease, and the lease payments).

3 When the leased space is sub-let at a loss, the amount of the liability and the expense recognised in accordance with 1 and 2, above, shall be determined net of any probable sub-lease revenue (such revenue should also be discounted using the discount rate applied to the expected outlays per 2, above).

4 The liability and the expense shall be recognised in the reporting period in which it is first determined that it is probable that the space will be of no substantive future benefit to the lessee and any rental revenue from a sub-lease of the space will be lower than the rental the entity is presently obliged to pay under the original lease.

5 If the space is to be used between the time at which the loss becomes probable and when the space becomes surplus, the lease expense for the use over that period shall be determined as if the leased space was to be used over the term of the lease. The amount of this lease expense shall be allowed for in determining the liability and the expense to be recognised at the time of assessment of a probable loss.

Abstract 2: Accounting for Non-Vesting Sick Leave

Application and Operative Date

This consensus applies to all reporting entities for reporting periods ended on or after 30 June 1995.

Consensus Reached

The liability for accumulated non-vesting sick leave shall be based on the amount of the accumulated sick leave entitlement existing at the measurement date for which it is probable that the reporting entity will be required to sacrifice economic benefits in the future.

Where experience indicates that, on average, sick leave taken each reporting period is less than the entitlement accruing in that period, and this experience is expected to recur in future reporting periods, it shall be considered improbable that existing accumulated entitlements will be used by employees and therefore no liability would be recognised.

Unused entitlements existing at the end of the reporting period shall be considered to give rise to a liability only when it is probable that sick leave taken in the future will be greater than entitlements that will accrue in the future.

Abstract 3: Lessee Accounting for Lease Incentives under Non-Cancellable Operating Leases

Application and Operative Date

This consensus applies to all reporting entities in respect of non-cancellable leases entered into on or after 6 July 1995.

Consensus Reached

1 A lease incentive is the financing of the lessee's entry into a lease and is repaid by the lessee out of the future lease payments that are higher than they would be had no incentive been provided.

Therefore, the incentive is, in substance, a borrowing (liability) which will be repaid by the lessee as part of the future lease rentals.

2. The lease incentive shall be recognised as a liability.
3. The liability recognised in respect of the lease incentive shall be reduced by allocating lease rental payments between interest (calculated by applying the interest rate implicit in the lease or an estimate thereof to the outstanding liability), rental expense and reduction of the liability.
4. The allocation of lease rental payments shall be made such that rental expense is recognised on a basis which is representative of the pattern of benefits derived from the rental property (In the absence of evidence to the contrary, this would be on a straight line basis).
5. The financial report shall include a description of the method used for reducing the liability.

Abstract 4: Disclosure of Accounting Policies for Restoration Obligations in the Extractive Industries

Application and Operative Date

This consensus applies to all reporting entities for reporting periods ended on or after 6 October 1995.

Consensus Reached

The financial report of reporting entities in the extractive industries shall disclose:

a. the amount of restoration obligations recognised as a liability;
b. the accounting method adopted in determining the liability for restoration, including:
    - i. whether the total amount of restoration obligations is recognised at the time a disturbance occurs, is recognised on a gradual basis over the life of the facility as production occurs or is recognised on some other basis;
    - ii. whether the amount of restoration obligations recognised includes the costs of reclamation, platform removal, plant closure, waste site closure, monitoring or other activities and, where material, the nature of those activities;
    - iii. whether restoration costs are estimated on the basis of current costs or estimates of future costs, current or anticipated legal requirements and current or anticipated
    - iv. whether the amounts of restoration costs have been determined on a discounted or undiscounted basis; and
c. significant uncertainties, assumptions and judgements made in determining restoration obligations.

It should be noted that this UIG Abstract deals with disclosure requirements only. It does not deal with the recognition and measurement of restoration obligations.

Abstract 5: Methods of Amortisation of Goodwill

The requirements set out in Abstract 5 were withdrawn in August 1996 following the reissue of accounting standards AASB 1013 and AAS 18 "Accounting for Goodwill".

Abstract 6: Accounting for Acquisitions – Deferred Settlement Cash Consideration

Application and Operative Date

This consensus applies to all reporting entities for acquisitions made on or after 16 November 1995.

Consensus Reached

When settlement of all or any part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration must be determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

The discount rate to be used in discounting the amounts payable in the future to their present value is the rate at which the acquirer could obtain similar borrowing under comparable terms and conditions.

Abstract 7: Accounting for Non-Current Assets – Derecognition of Intangible Assets and Change in the Basis of Measurement of a Class of Assets

Application and Operative Date

The consensus applies to all reporting entities from 30 January 1996.

Consensus Reached

An internally generated non-current intangible asset must be derecognised when, and only when:

a it no longer satisfies the definition of an asset;

b it is no longer probable that the future economic benefits embodied in the asset will eventuate; or

c the value of the asset, determined consistent with the valuation basis applied in determining the carrying amount of the asset, can no longer be determined reliably.

A change in the basis of measurement adopted for a class of non-current assets must be accounted for as a revaluation as defined in accounting standards AASB 1041 "Revaluation of Non-Current Assets".

Abstract 8: Accounting for Acquisitions – Recognition of Restructuring Costs as Liabilities

Application and Operative Date

This consensus applies to all reporting entities in respect of acquisitions made on or after 6 June 1996.

Consensus Reached

1 Restructuring costs are costs which:

a arise directly as a result of the acquisition of an entity or part thereof;

b arise only as a consequence of restructuring the activities of the acquired entity or part thereof; and

c do not generate additional revenues for the combined entity or result in the creation of an identifiable asset.

2 A liability for restructuring costs must be recognised as at the date of acquisition when, and only when:

a as at the date of acquisition, the entity is demonstrably committed to the restructuring such that it has little or no discretion to avoid payments to other parties in settlement of the costs of the restructuring; and

b a reliable estimate of the amount of the liability as at the date of acquisition can be made.

3 Provisions for future operating losses of the acquired or acquiring entity, or a part thereof, must not be recognised as a liability.

4 A revision to the estimated amount of restructuring costs recognised as a liability must be accounted for by adjusting the amount of the liability and the amount of goodwill or the discount on acquisition.

Consequential adjustments to reflect the cumulative effect of revisions on the amount of amortisation of goodwill must be recognised in net profit or loss in the reporting period in which the revision in the estimate occurs.

In the case of a discount on acquisition, consequential adjustments to reflect the cumulative effect of revisions to the amount of depreciation of non-monetary assets acquired and other revenues and expenses recognised in previous reporting periods must be recognised in net profit or loss in the reporting period in which the revision in the estimate occurs.

5 The following must be disclosed separately:
   a the amount of the liability for the costs of restructuring;
   b any revisions to the amount of the liability; and
   c in the financial statements prepared for the first financial year that ends subsequent to the acquisition, a description of key features of the restructuring program.

Abstract 9: Accounting for Acquisitions – Recognition of Acquired Tax Losses

Application and Operative Date

This consensus applies to all reporting entities in respect of benefits relating tax losses acquired in the acquisition of an entity which are initially recognised on or after 6 June 1996.

Consensus Reached

1 The benefits of tax losses acquired in an acquisition must be recognised as an asset at the date of acquisition in accordance with accounting standards AASB 1015 and AAS 21 "Accounting for the Acquisition of Assets" where the recognition criteria specified in accounting standards AASB 1020 and AAS 3 "Accounting for Income Tax (Tax-effect Accounting)" are satisfied.

2 Where the benefits of tax losses acquired in an acquisition were not recognised as assets at the date of acquisition but are subsequently recognised, the amount of goodwill or discount on acquisition must be adjusted by an amount representing the fair value, as at the date of acquisition, of the benefits of the tax losses recognised.

3 Where, in accordance with paragraph 2, purchased goodwill is adjusted as a result of the recognition of the benefits of tax losses, the cumulative effect of revisions to the amount of amortisation of goodwill must be recognised in net profit or loss in the reporting period in which the adjustment occurs.

   In the case of a discount on acquisition, consequential adjustments to reflect the cumulative effect of revisions to the amount of depreciation of non-monetary assets acquired and other revenues and expenses recognised in previous reporting periods must be recognised in net profit or loss in the reporting period in which the adjustment occurs.

Abstract 10: Accounting for Acquisitions – Gold Mining Companies

Application and Operative Date

This consensus applies to all reporting entities for all acquisitions of gold mining companies occurring on or after 15 October 1996.

Consensus Reached

1 In the acquisition of a gold mining company, assets acquired may include :
   a mineral reserves ;
   b mineral resources and exploration areas resulting from exploration and evaluation activities of the acquired entity ; and
   c unexplored and unevaluated acreage.

   When an entity acquires a gold mining company, it must recognise all identifiable assets and liabilities acquired, including identifiable exploration assets, at their cost of acquisition determined in accordance with the requirements of accounting standards AASB 1015 and AAS 21 "Accounting for the Acquisition of Assets".

2 Where, in the acquisition of a gold mining company, a difference arises between the cost of acquisition and the amount of the identifiable net assets acquired, that difference must be accounted for in accordance with accounting standards AASB 1013 and AAS 18 "Accounting for Goodwill".

3 Exploration assets recognised at acquisition must be carried forward provided rights to tenure of the area of interest are current and at least one of the following conditions is met:
   a the carrying amount is expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and

b exploration and evaluation activities in the area of interest have not at balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

4 Exploration assets recognised at acquisition and carried forward in respect of an area of interest subsequently abandoned, must be written off in the reporting period in which the decision to abandon is made.

5 Exploration and evaluation expenditures incurred subsequent to acquisition in respect of an exploration asset acquired, must be accounted for in accordance with the requirements of accounting standards AASB 1022 or AAS 7 "Accounting for the Extractive Industries".

Abstract 11: Accounting for Contributions of, or Contributions for the Acquisition of, Non-Current Assets

Application and Operative Date

This consensus applies to all reporting entities not subject to those Accounting Standards which include requirements for accounting for contributions of non-current assets, or contributions to assist in the acquisition of non-current assets, in respect of reporting periods ending on or after 30 June 1997.

Consensus Reached

1 For the purposes of this consensus, contributions mean non-reciprocal transfers to the entity.

2 A contribution of non-current assets, or a contribution to assist in the acquisition of non-current assets, must be recognised as an asset and revenue when the entity gains control of the contribution.

3 A contribution of non-current assets, or a contribution to assist in the acquisition of non-current assets, must be recognised at its fair value, being the fair value of the contributed assets as at the date on which the entity gains control of such assets.

4 A liability and expense must be recognised in the reporting period in which a present obligation to repay a contribution arises.

5 On initial application of this consensus, the amount of any liability or deferred revenue recognised in the statement of financial position as a result of accounting for a contribution as a liability or deferred revenue (ie. not as revenue) must be adjusted against retained profits or accumulated losses as at the beginning of the reporting period to which this consensus is first applied.

Abstract 12: Accounting for the Costs of Modifying Computer Software for the Year 2000

Application and Operative Date

This consensus applies to all reporting entities in respect of Year 2000 computer software modification costs from 11 March 1997.

Consensus Reached

1 Costs relating to the modification of internal-use computer software for Year 2000 compatibility must be recognised as an expense in the period in which they are incurred.

2 On initial application of this consensus, any Year 2000 computer software modification costs previously accounted for otherwise than in accordance with this consensus, must be recognised in net profit or loss in the first period to which this consensus applies.

Abstract 13: The Presentation of the Financial Report of Entities Whose Securities are "Stapled"

Application and Operative Date

This Consensus must be applied for reporting periods ending on or after 23 March 2000. When operative, this Abstract supersedes Abstract 13 "The Presentation of the Financial Report of Entities Whose Securities are 'Stapled' ", as issued in May 1997.

Consensus Reached

Scope

1 For the purposes of this Consensus, a stapled security is a security created when an equity security of an entity is combined with an equity security of another entity and:

   a is listed on a stock exchange as defined in the Corporations Act 2001;

   b is traded as if the combined securities are a single security; and

   c neither equity security is transferable separately from the security with which it is combined.

2 This Consensus is not applicable to a stapled security when:

   a an equity security of an entity is stapled to the equity security of another entity in an acquisition as defined in Accounting Standards AASB 1015 "Accounting for the Acquisition of Assets" and AAS 21 "Accounting for the Acquisition of Assets (including Business Entities)"; or

   b an equity security of a parent entity is stapled to an equity security of one or more of its subsidiaries.

3 A reporting entity is created when the equity securities of two or more legal entities are issued as a stapled security as defined in paragraph 4 (below).

Combined Financial Reports

4 Unless excluded from this Consensus by paragraph 5 (below), the reporting entity identified in paragraph 3 (above) must prepare a general purpose financial report which combines the separate financial reports of the entities, or economic entities, whose securities are stapled in accordance with the requirements of:

   a Accounting Standards AASB 1024 "Consolidated Accounts" and AAS 24 "Consolidated Financial Reports" in respect of common reporting dates, appropriateness and consistency of accounting policies and elimination of inter-entity transactions and balances; and

   b applicable Accounting Standards and UIG Consensus Views.

5 The general purpose financial report which combines the separate financial reports of the entities or economic entities whose securities are stapled must disclose:

   a that the equity securities of two or more entities have been stapled;

   b the identity of the entities whose securities have been stapled; and

   c a description of any other major features of the stapling arrangements, including any circumstances in which they can be terminated.

Separate Financial Reports

6 Where a separate general purpose financial report or consolidated financial report of any of the legal or economic entities whose securities are stapled is also prepared, that report must disclose:

   a that an equity security of the entity has been stapled to an equity security of another entity;

   b the identity of the other entity or entities; and

   c a description of any other major features of the stapling arrangements, including any circumstances in which they can be terminated.

Concise Combined Financial Reports

7 Unless excluded from this Consensus by paragraph 2 (above), where the reporting entity identified in paragraph 3 (above) prepares a concise combined financial report, that report must:

   a be prepared in accordance with the requirements of Accounting Standard AASB 1039 "Concise Financial Reports"; and

   b include the disclosures required by paragraphs 5 and 6 (above).

Abstract 14: Directors' Remuneration

Application and Operative Date

This consensus applies to all reporting entities required to comply with the requirements of Accounting Standard AASB 1017/AAS 22 "Related Party Disclosure" for periods ending on or after 30 June 1997.

Consensus Reached

The cost to the entity or related party of all items that comprise directors' remuneration, as defined by AASB 1017/AAS 22, must be included in the determination of directors' remuneration. The abstract includes, as an attachment, a checklist of items to included or excluded from directors' remuneration.

Abstract 15: Early Termination of Foreign Currency Hedges

Application and Operative Date

This Consensus applies to all reporting entities for reporting periods ending on or after 22 October 1997 in respect of early terminations of foreign currency hedges that occur before 2 November 2000. This Abstract supersedes Abstract 15 "Early Termination of Foreign Currency Hedges", as issued in November 1997. Early terminations that occur on or after 2 November 2000 are subject to Abstract 33 "Hedges of Anticipated Purchases and Sales".

Consensus Reached

1 If a foreign currency hedge of an anticipated purchase or sale of goods or services is terminated early and the anticipated transaction is still expected to occur, the deferred gains and losses that arose on the foreign currency hedge prior to its termination must continue to be deferred and then included in the measurement of the purchase or sale when it takes place.

2 If a foreign currency hedge of an anticipated purchase or sale of goods or services is terminated early because the anticipated transaction is no longer expected to occur, the deferred gains and losses that arose on the foreign currency hedge prior to its termination must be recognised in net profit or loss as at the date of termination.

Abstract 16: Accounting for Share Buy-Backs

This consensus applies to all share buy-backs announced on or after 1 July 1998, however it deals principally with the buy-back of shares in a par value regime. The Company Law Review Act 1998 abolished the concept of par value, therefore this consensus has no application and a new consensus has been issued which provides guidance on the accounting for share buy-backs under a no par value regime, refer to Abstract 22.

Abstract 17: Developer and Customer Contributions in Price Regulated Industries

Application and Operative Date

This consensus applies to government trading enterprises and private sector utility entities for reporting periods commencing on or after 1 May 1998.

Consensus Reached

1 A developer or customer contribution is a contribution of non-current assets, or a contribution to assist in financing the acquisition or construction of such assets, which:

- a is made to extend or modify a service delivery network; and
- b must be made by a developer or customer to a government trading enterprise or a private sector utility entity to secure access to services which are subject to price regulation; and
- c is not included in the asset base used by the price-regulator for determination of the regulated tariff.

2 A developer or customer contribution of non-current assets must be recognised by the recipient as revenue and an asset when the recipient gains control of the contribution. The amount of the revenue and asset recognised must be the fair value of the contributed assets as at the date on which the recipient gains control of the contribution.
3 A developer or customer cash contribution must be recognised as revenue by the recipient when the network is extended or modified consistent with the terms of the contribution.
4 The total amount of developer and customer contributions recognised as revenue during the reporting period must be disclosed.

Abstract 18: Early Termination of Gold Hedges

Application and Operative Date

This Consensus applies to all reporting entities in respect of hedges of anticipated sales of gold which are terminated on or after 1 May 1998 and before 2 November 2000. This Abstract supersedes Abstract 18 "Early Termination of Gold Hedges", as issued in May 1998. Early terminations that occur on or after 2 November 2000 are subject to Abstract 33 "Hedges of Anticipated Purchases and Sales".

Consensus Reached

1 If a hedge of an anticipated sale of gold is terminated early and the anticipated transaction is still expected to occur, the gains or losses that arise on the termination of the hedge transaction must be deferred and then included in the measurement of the sale when it takes place.
2 If a hedge of an anticipated sale of gold is terminated early because the anticipated transaction is no longer expected to occur, the gains or losses that arise on the termination of the hedge must be recognised in net profit or loss as at the date of termination.

Abstract 19: The Superannuation Contributions Surcharge

Application and Operative Date

This consensus applies to superannuation plans for reporting periods ending on or after 30 June 1998.

Consensus Reached

1 The obligation in respect of the superannuation contributions surcharge gives rise to a liability and an expense of a superannuation plan.
2 A superannuation plan must recognise a liability for the superannuation contributions surcharge when, and only when, it is probable that it will be required to make a future sacrifice of economic benefits and the amount of the liability can be measured reliably.
3 The general purpose financial report must disclose:
   a the accounting policy adopted for the recognition of the liability for the superannuation contributions surcharge;
   b the amount of the superannuation contributions surcharge recognised as an expense during the reporting period;
   c the amount of the liability for the superannuation contributions surcharge recognised as at the reporting date; and
   d whether any unrecognised liability for the superannuation contributions surcharge exists as at the reporting date, stating the reasons for not recognising the liability.

Abstract 20: Equity Accounting – Eliminating Unrealised Profits and Losses on Transactions with Associates

Application and Operative Date

This consensus applies to all reporting entities in respect of reporting periods ending on or after 30 June 1999.

Consensus Reached

1. Subject to point 3, where possible, unrealised profits and unrealised losses resulting from "upstream" and "downstream" transactions between an associate and:
   a. the investor and its controlled entities (the economic entity);
   b. another associate of the investor;

   must be eliminated to the extent of the investor's ownership interest in the associate determined in accordance with requirements of AASB 1016 and AAS 14.
2. Adjustments to eliminate the investor's share of unrealised profits and losses on transactions with an associate must be made on a net basis to the "Investment in Associates" and "Share of Profit and Loss of Associates", or similar accounts.
3. Unrealised losses must not be eliminated to the extent that the transaction provides evidence of an impairment of the asset transferred.

Abstract 21: Consistency – Different Cost Formulas for Inventories

Application and Operative Date

This consensus applies to reporting periods ending on or after 30 June 1999.

Consensus Reached

The same cost formula must be adopted for all inventories having similar nature and use to the reporting entity. For inventories with different nature or use, different cost formulas may be justified. A difference in geographical location of inventories (and in the respective tax rules), by itself, is not sufficient to justify the use of different cost formulas.

Abstract 22: Accounting for the Buy-Back of no Par Value Shares

Application and Operative Date

This consensus applies to the buy-back of no par value shares included in equity from 17 September 1998.

Consensus Reached

Where shares included in the equity of an entity are bought back, the equity of the entity must be directly reduced by the cost of acquisition of the shares bought back which comprises the purchase consideration plus costs incidental to the acquisition.

Where an entity undertakes a share buy-back, a description of the nature and terms of the share buy-back and any other information material to an understanding of the transaction must be disclosed in the financial year in which the buy-back occurs.

Abstract 23: Transaction Costs Arising on the Issue or Intended Issue of Equity Instruments

Application and Operative Date

This Consensus applies to transaction costs incurred in respect of equity instruments issued, or an intended issue of equity instruments where no equity instruments were issued, on or after 11 May 2000. When operative, this Abstract supersedes Abstract 23 "Transaction Costs Arising on the Issue of Equity Instruments", as issued in November 1998.

Consensus Reached

1 Transaction costs arising on the issue of equity instruments must be recognised by the issuer of those equity instruments directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. However, the amount of the transaction costs deducted directly from equity must not exceed the proceeds of the equity instruments issued. Transaction costs in excess of the proceeds of the equity instruments issued, or where no proceeds are raised, must be recognised as an expense.

2 For the purposes of this Consensus, transaction costs arising on the issue of equity instruments are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those equity instruments not been issued.

3 The following must be disclosed in respect of transaction costs recognised during the reporting period in accordance with paragraph 1 (above):

   a the amount recognised directly in equity; and

   b the amount recognised as an expense.

Abstract 24: Equity Accounting – Carrying Amount of an Investment in an Associate

Application and Operative Date

This consensus applies to all reporting entities in respect of reporting periods ending on or after 30 June 1999.

Consensus Reached

For the purpose of determining the carrying amount of an investment in an associate in accordance with AASB 1016 and AAS 14 "Accounting for Investments in Associates" the carrying amount of an investment in an associate must only include ordinary shares and other financial instruments which satisfy the characteristics of an ownership interest as defined in AASB 1016 and AAS 14.

Abstract 25: Redesignation of Hedges

Application and Operative Date

This Consensus applies to all reporting entities in respect of hedge redesignations that occur on or after 18 March 1999. This Abstract supersedes Abstract 25 "Redesignation of Hedges", as issued in April 1999.

Consensus Reached

Hedge Redesignations from March 1999 to November 2000

1 Paragraphs 2 and 3 (below) apply in respect of redesignations of foreign currency hedges of an anticipated purchase or sale of goods or services, and redesignations of hedges of an anticipated sale of gold, that occur on or after 18 March 1999 and before 2 November 2000.

2 If a hedge is redesignated as a hedge of another exposure and the original anticipated transaction is still expected to occur, the gains and losses that arise on the hedge prior to its redesignation must be deferred and then included in the measurement of the original anticipated purchase or sale when it takes place.

3 If a hedge is redesignated as a hedge of another exposure and the original anticipated transaction is no longer expected to occur, the gains and losses that arise on the hedge prior to its redesignation must be recognised in net profit or loss as at the date of the redesignation.

Hedge Redesignations from November 2000

4 Paragraphs 5 and 6 (below) apply in respect of redesignations of hedges of an anticipated purchase or sale of goods or services, including commodities, that occur on or after 2 November 2000.

5 If a hedge is redesignated as a hedge of another exposure and the original anticipated transaction is still expected to occur as designated, the gains and losses that arise on the hedge prior to its redesignation must be deferred and then included in the measurement of the original anticipated purchase or sale when it takes place.

6 If a hedge is redesignated as a hedge of another exposure and the original anticipated transaction is no longer expected to occur as designated, the gains and losses that arise on the hedge prior to its redesignation must be recognised in net profit or loss as at the date of the redesignation.

Abstract 26: Accounting for Major Cyclical Maintenance

Application and Operative Date

This Consensus applies to all reporting entities for reporting periods ending on or after 30 June 1999.

Consensus Reached

1 For the purposes of this Abstract provisions for future maintenance are provisions for the anticipated future costs to be incurred under major cyclical maintenance programs.

2 Provisions for future maintenance must not be recognised as a liability, or as accumulated depreciation or as a reduction in the carrying amount of an asset.

Abstract 27: Designation as Hedges – Sold (Written) Options

Application and Operative Date

This Consensus applies to all reporting entities for reporting periods ending on or after 31 December 1999.

Consensus Reached

1 For the purposes of this Consensus:

  a a sold option is a right, sold by the entity, to purchase from the entity (or to sell to the entity) a specified amount of foreign currency or a commodity at an agreed price (the exercise price) at, or before, an agreed date;

  b a bought option is a right, purchased by the entity, to sell to another entity (or to buy from another entity) a specified amount of foreign currency or a commodity at an agreed price (the exercise price) at, or before, an agreed date; and

  c hedging means action taken with the objective of avoiding or minimising possible adverse financial effects of movements in exchange rates or commodity prices.

2 A sold option by itself will not qualify for designation as a hedge. Further, except where paragraphs 3 or 4 apply, an arrangement which involves a sold option will not qualify for designation as a hedge.

3 An arrangement which involves a sold option will qualify for designation as a hedge when, and only when, the combination of the arrangement and the hedged item provides at least as much potential for gain as exposure to loss over the entire range of possible outcomes. Such an arrangement can only be effective as a hedge to the extent that the principal amount of the sold option(s) is not in excess of the principal amount of the bought option(s). Any excess of the principal amount of the sold option(s) over the bought option(s) will not qualify for designation as a hedge.

4 An arrangement which involves a sold option will qualify for designation as a hedge when:

  a the arrangement involves a combination of sold and bought options with equivalent terms and conditions, including the same exercise prices, maturity dates and number of units of currency or commodity; or

  b the arrangement involves a combination of sold and bought options with different exercise prices, and:

    i the principal amounts of the sold and bought options are the same;

    ii the sold and bought options remain effective to their maturity dates and the maturity dates of the sold options are no later than the maturity dates of the bought options; and

    iii no net premium is received or receivable by the entity in respect of the hedging transactions.

Abstract 28: Consolidation – Special Purpose Entities

Application and Operative Date

This Consensus applies to all reporting entities for reporting periods beginning on or after 24 June 1999.

Consensus Reached

1 An SPE must be consolidated when the substance of the relationship between an entity and an SPE indicates that the SPE is controlled by that entity.

2 In the context of an SPE, control may arise through the predetermination of the activities of the SPE (operating on "autopilot") or otherwise. Accounting Standards AASB 1024 "Consolidated Accounts", paragraph (xvi), and AAS 24 "Consolidated Financial Reports", paragraph 22, indicate several circumstances which result in control even in cases where an entity owns one half or less of the voting power of another entity. Similarly, control may exist even in cases where an entity owns little or none of the SPE's equity. The application of the control concept requires, in each case, judgement in the context of all relevant factors.

3 In addition to the situations described in AASB 1024, paragraph (xvi), and AAS 24, paragraph 22, the following circumstances, for example, would normally indicate a relationship in which an entity controls an SPE and consequently must consolidate the SPE *(additional guidance is provided in the Appendix to this Abstract)*:

   a in substance, the activities of the SPE are being conducted on behalf of the entity according to its specific business needs so that the entity obtains benefits from the SPE's operation;

   b in substance, the entity has the decision-making powers to obtain the majority of the benefits of the activities of the SPE or, by setting up an "autopilot" mechanism, the entity has delegated these decision-making powers;

   c in substance, the entity has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE; or

   d in substance, the entity retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

4 Predetermination of the ongoing activities of an SPE by an enterprise (the sponsor or other party with a beneficial interest) does not represent impaired control as referred to in AASB 1024, paragraph (vii), and AAS 24, paragraph 11.

Abstract 29: Early Termination of Interest Rate Swaps

Application and Operative Date

This Consensus applies to all reporting entities for reporting periods ending on or after 2 November 2000. When operative, this Abstract supersedes Abstract 29 "Early Termination of Interest Rate Swaps", as issued in December 1999.

Consensus Reached

1 This Consensus applies to interest rate swaps:

   a entered into by an entity to reduce its exposure to financial risks underlying the interest receipts or payments associated with recognised assets or liabilities; and

   b expected, at inception of the swap and subsequently, to be effective in reducing that exposure.

2 When an interest rate swap is terminated early and the hedged anticipated interest transactions are still expected to occur as designated, the gains and losses that arise on the swap upon its early termination must continue to be deferred and included on a systematic basis in the measurement of those anticipated interest transactions when they occur.

3 When an interest rate swap is terminated early and the hedged anticipated interest transactions are no longer expected to occur as designated, the gains and losses that arise on the swap upon its early termination must be recognised in net profit or loss as at the date of the termination.

Abstract 30: Depreciation of Long-Lived Physical Assets, Including Infrastructure Assets: Condition-Based Depreciation and other Related Methods

Application and Operative Date

This Consensus applies to all reporting entities for reporting periods ending on or after 16 December 1999.

Consensus Reached

Condition-based depreciation (CBD) and other methods of depreciation of long-lived physical assets, including infrastructure assets, that include any of the following characteristics do not comply with Accounting Standards AASB 1021 and AAS 4 "Depreciation", and must be discontinued:

a the depreciation expense is not determined by reference to the depreciable amount of the asset;

b the depreciation expense is determined without consideration of technical obsolescence, potential changes in consumer demand and related factors which can influence the consumption or loss of future economic benefits during the reporting period;

c expenditure on maintenance and on enhancement of future economic benefits are not separately identified where reliable measures of these amounts can be determined and are not recognised as an expense of the reporting period in which the expenditure was incurred in the case of maintenance expenditure or as an asset in respect of asset enhancement expenditure;

d the asset is presumed to be in a steady state and a "renewals accounting" approach is adopted whereby all expenditure on the asset is recognised as an expense in the period in which it is incurred without consideration of whether that expenditure enhances the future economic benefits of the asset beyond that originally assessed; and

e the major components of complex assets are not separately identified and are not accounted for as separate assets where this is necessary to reliably determine the depreciation expense of the reporting period.

Abstract 31: Accounting for the Goods and Services Tax (GST)

Application and Operative Date

This Consensus applies to all reporting entities for reporting periods ending on or after 16 December 1999.

Consensus Reached

1 Revenues, expenses and assets must be recognised net of the amount of goods and services tax (GST) except where paragraphs 2 and 3 apply.

2 The amount of GST incurred by the purchaser that is not recoverable from the taxation authority must be recognised as part of the cost of acquisition of an asset or as part of an item of expense.

3 Receivables and payables must be stated with the amount of GST included.

4 The net amount of GST recoverable from, or payable to, the taxation authority must be included as part of receivables or payables in the statement of financial position.

5 Cash flows must be included in the statement of cash flows on a gross basis in accordance with AASB 1026 an AAS 28 "Statement of Cash Flows".

6 The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority must be classified as operating cash flows.

7 Costs incurred to update existing systems or to design, develop and implement new systems to deal with GST must be recognised as an asset when, and only when, they result in an enhancement of future economic benefits.

Abstract 32: Designation as Hedges – Rollover Strategies

Application and Operative Date

This Consensus applies to all reporting entities for reporting periods ending on or after 2 November 2000. When operative, this Abstract supersedes Abstract 32 "Designation as Hedges – Rollover Strategies", as issued in January 2000.

Consensus Reached

1 For the purposes of this Consensus, a rollover strategy is a strategy that specifies the replacement of maturing short-term transactions with successive new short-term transactions as a means of hedging an underlying longer-term exposure to financial risks arising from anticipated purchases or sales of goods or services, including commodities.

2 Transactions entered into under rollover strategies must be accounted for as hedges of the underlying exposure when, and only when, the following criteria are satisfied:

  a at the inception of the strategy and subsequently, it is expected that the strategy will be effective in reducing exposure to the risks intended to be hedged; and

  b the strategy is designated prospectively as a hedge of the underlying exposure.

3 Gains and losses that arise prior to and upon the maturity of transactions entered into under rollover strategies that are accounted for as hedges must be deferred and included in the measurement of the hedged anticipated purchase or sale if the purchase or sale transaction is still expected to occur as designated. If the forecasted transaction is no longer expected to occur as designated, the gains and losses must be recognised immediately in net profit or loss.

Abstract 33: Hedges of Anticipated Purchases and Sales

Application and Operative Date

This Consensus applies to all reporting entities for hedges of anticipated purchases or sales of goods or services entered into on or after 23 March 2000.

This Consensus also applies to all reporting entities for hedges of anticipated purchases or sales of goods or services already in existence at 23 March 2000. These hedges must, on or before 30 June 2000, be designated as hedges and comply with the hedge accounting criteria set out in paragraph 2 (below) in relation to the remaining term of the hedge, in order to continue to apply hedge accounting on and from 30 June 2000. In these circumstances, the deferred gains and losses must be accounted for in accordance with paragraph 3 (below).

If the hedge accounting criteria are not satisfied on or before 30 June 2000 for hedges of anticipated purchases or sales of goods or services already in existence at 23 March 2000, the deferred gains and losses on those hedges must be recognised in net profit or loss no later than 30 June 2000.

Consensus Reached

1 This Consensus applies to hedges of anticipated purchases or sales of goods or services, including commodities.

2 Transactions entered into to hedge anticipated purchases or sales must be accounted for as hedges of the anticipated purchases or sales when, and only when, the following criteria are satisfied:

  a at the inception of the hedge and during the term of the hedging instrument, it is expected that the hedge will be effective in reducing exposure to the risks intended to be hedged;

  b the hedging relationship is designated prospectively, specifically identifying the hedging instrument as well as the hedged anticipated purchases or sales – the characteristics of the hedged purchases or sales must be designated with sufficient specificity so that when a purchase or sale occurs it is clear whether that transaction is or is not a hedged purchase or sale; and

c it is probable that the anticipated purchases or sales will occur as designated.

3 The gains and losses that arise on an instrument accounted for as a hedge must be deferred and then included in the measurement of the hedged anticipated purchases or sales when they occur. If, subsequent to the inception of the hedge, it becomes probable that some or all of the hedged anticipated purchases or sales will not occur as designated, hedge accounting must be discontinued in relation to those purchases or sales when that assessment is made, and the deferred gains and losses relating to the purchases or sales that are no longer expected to occur as designated must be recognised immediately in net profit or loss.

Abstract 34: Acquisitions and Goodwill – First-Time Application of Accounting Standards

Application and Operative Date

This Consensus applies to reporting entities when Accounting Standard AASB 1015 or AAS 21 "Acquisitions of Assets" (November 1999) is first applied.

Consensus Reached

1 A reporting entity applying Australian accounting standards for the first time must apply the purchase method of accounting to all acquisitions of entities or operations, where practicable, except for reconstructions within an economic entity as referred to in Accounting Standard AAS 21 "Acquisitions of Assets" (November 1999).

2 Where the purchase method of accounting is first applied under Australian accounting standards to the acquisition of an entity or an operation:

a the amount of goodwill or discount on the acquisition must be measured, where practicable, in accordance with the requirements of Accounting Standards AASB 1015 and AAS 21 "Acquisitions of Assets" (November 1999);

b the goodwill or discount on acquisition, measured in accordance with paragraph 5(a), must be accounted for in accordance with the requirements of Accounting Standards AASB 1013 and AAS 18 "Accounting for Goodwill" (June 1996); and

c any adjustments to the carrying amount of goodwill or discount since acquisition which would otherwise be recognised in net profit or loss/result must be made against retained profits (surplus) or accumulated losses (deficiencies) as at the beginning of the reporting period to which the Standards are first applied.

Abstract 35: Disclosure of Contingent Liabilities

Application and Operative Date

This Consensus applies to all entities which are required to prepare financial reports in accordance with Chapter 2M of the Corporations Act 2001 for reporting periods ending on or after 3 August 2000.

Consensus Reached

1 The following information must be disclosed for each individual and each category of contingent liability:

a a brief description of its nature; and

b wherever possible, the maximum amount that may become payable, which has not been recognised as a liability.

2 Contingent liabilities include the following:

a liabilities of the entity which have not been recognised because:

i of significant uncertainty as to whether a sacrifice of future economic benefits will be required (for example, a guarantee provided to a financier for a loan taken out by another entity, where default on the loan is uncertain as at the reporting date); or

ii the amount of the liability cannot be measured reliably (for example, a claim for damages against the entity, where the entity is defending the claim even though professional advice indicates the defence is unlikely to succeed, and the amount of the claim cannot be measured reliably as at the reporting date due to the unique nature of the claim); and

b items that are not recognised as liabilities because of significant uncertainty as to whether an obligation presently exists (for example, obligations which may arise from certain tax deductions which were claimed in previous financial years and which are now under review by the Australian Taxation Office. The entity would not recognise the tax effect of the amount of deductions under review as a liability where it believes those deductions were correctly claimed and intends to dispute any deductions disallowed, because of the uncertainty surrounding the existence of a present obligation to pay the relevant amount of tax).

Abstract 36: Non-Monetary Contributions Establishing a Joint Venture Entity

Application and Operative Date

This Consensus applies to all reporting entities for reporting periods ending on or after 2 November 2000.

Consensus Reached

1 Unrealised profits and losses arising on a venturer's contribution of non-monetary assets on the establishment of a joint venture entity must, under the equity method of accounting, be eliminated to the extent of the venturer's ownership interest in the joint venture entity, determined in accordance with the requirements of Accounting Standards AASB 1016 and AAS 14 "Accounting for Investments in Associates". However, unrealised losses must not be eliminated to the extent that the transaction provides evidence of an impairment of the non-monetary assets.

2 Where a venturer has eliminated unrealised profits and losses arising on the contribution of non-monetary assets on the establishment of a joint venture entity, the amount of the profits and losses that have been eliminated must be recognised by the venturer as they are realised by the joint venture entity (as the contributed assets are consumed or sold) or, if not already realised by the joint venture entity, when the venturer disposes of its investment in the joint venture entity.

Abstract 37: Accounting for Web Site Costs

Application and Operative Date

This Consensus applies to all reporting entities for reporting periods ending on or after 5 December 2000.

Consensus Reached

1 The following web site costs must be recognised as expenses in the period in which they are incurred:

a costs incurred during the planning stage that are attributable to determining the feasibility of and assessing alternative approaches to building a web site; and

b costs incurred after a web site is first put into use or held ready for use (that is, during the operation stage) that are attributable to maintaining the originally assessed standard of performance of the web site or to determining the feasibility of and assessing alternative approaches to extending the originally assessed standard of performance of the web site.

2 Web site costs, other than those identified in paragraph 1 (above), must be recognised as expenses in the period in which they are incurred, except that they must be recognised as an asset when, and only when:

a the entity controls future economic benefits as a result of the costs incurred;

b it is probable that those future economic benefits will eventuate; and

c the costs can be measured reliably.

3 Web site costs recognised as an asset in accordance with paragraph 2 (above) must be amortised from the time when the web site is first put into use or held ready for use in accordance with Accounting Standards AASB 1021 and AAS 4 “Depreciation”.

Abstract 38: Contributions by Owners made to Wholly-Owned Public Sector Entities

Application and Operative Date

This Consensus applies to reporting entities that are:

a wholly-owned public sector entities, in relation to transfers from other entities within the same economic entity; and

b transferors in relation to these transfers; where the transfers occur on or after 5 December 2000.

Consensus Reached

Scope

1 This Consensus applies to transfers to wholly-owned public sector entities of assets, or assets and liabilities, other than transfers made as consideration for the provision by the transferee of assets or services (including the provision of debt finance) at fair value to the transferor.

Contributions by Owners

2 A transfer to a wholly-owned public sector entity must be recognised by the transferee as a contribution by owners when and only when it satisfies the definition of “contributions by owners“ in Accounting Standards AASB 1004 and AAS 15 “Revenue”. The criteria set out in paragraphs 3 and 4 (below) must be applied in determining whether a transfer satisfies the definition of contributions by owners.

3 Regardless of the other features or conditions of a transfer, the transfer is a contribution by owners where its equity nature is evidenced by any of the following:

a the issuance, in relation to the transfer, of equity instruments which can be sold, transferred or redeemed;

b a formal agreement, in relation to the transfer, establishing a financial interest in the net assets of the transferee which can be sold, transferred or redeemed; or

c formal designation of the transfer (or a class of such transfers) by the transferor or a parent entity of the transferor as forming part of the transferee’s capital, either before the transfer occurs or at the time of the transfer.

4 The classification of a transfer to a wholly-owned public sector entity from the government or another entity controlled by the same government must be determined by reference to the rights of the government in respect of the transfer held directly by the government or indirectly through any of its controlled entities. Accordingly, for a transfer to a public sector entity to satisfy part (b) of the definition of contributions by owners in Accounting Standards AASB 1004 and AAS 15 “Revenue”, a right to sell, transfer or redeem the financial interest in the net assets of the transferee must be held directly or indirectly by the government.

5 Where the original transferor is another entity controlled directly or indirectly by the controlling government of the transferee, a transfer to a wholly-owned public sector entity must be accounted for by the transferee as a transfer from that government or a government-controlled parent entity of the transferee. Where the controlling government of the transferee is the original transferor, a transfer to a wholly-owned public sector entity must be accounted for by the transferee as a transfer from the immediate transferor (which would be the controlling government if there was no interposed parent entity).

Consistent Classification of Contributions by Owners

6 If a transfer to a wholly-owned public sector entity is classified by the transferee as a contribution by owners, and the transferor is the transferee's controlling government or another entity controlled directly or indirectly by that government, that transferor must classify the transfer as:

   a a distribution to owners, if the transferor makes the transfer to all or part of its ownership group; or

   b the acquisition of an ownership interest in the transferee, if the transferor makes the transfer to an investee.

Redesignation of Transfers

7 A transfer designated as a contribution by owners must not be redesignated as revenue. Similarly, a transfer designated as revenue must not be redesignated as a contribution by owners. Consistent Classification of Distributions to Owners as Redemptions of Ownership Interests.

8 A transfer classified by the transferor as a distribution to owners must be classified by the immediate transferee as a redemption of part or all of its ownership interest in the transferor when and only when its equity nature is evidenced by any of the following:

   a the cancellation, in relation to the transfer, of equity instruments which can be sold, transferred or redeemed;

   b amendment of a formal agreement, in relation to the transfer, to reduce the transferee's financial interest in the net assets of the transferor which can be sold, transferred or redeemed; or

   c formal designation of the transfer (or a class of such transfers) as a redemption of an ownership interest in the transferor, made by the government or a government-controlled parent entity of the transferee, either before the transfer occurs or at the time of the transfer.

Abstract 39: Effect of Proposed Tax Consolidation Legislation on Deferred Tax Balances

Application and Operative Date

This consensus applies to all reporting entities for reporting periods ending on or after 13 August 2002.

Consensus Reached

When to take Proposed Legislation into Account

1 A tax consolidation Bill, to the extent that it is relevant to the entity, must be taken into account in the recognition and measurement of deferred tax assets and liabilities when and only when the Bill has been enacted or substantively enacted prior to or on the reporting date.

2 Substantive enactment of a tax consolidation Bill must be taken to have occurred once the Bill has been tabled in the Parliament and there is majority support for the passage of the Bill through both Houses of Parliament. However, where the commencement of the Bill is linked to the enactment or commencement of another Bill, the first Bill must not be taken to be enacted or substantively enacted until the second Bill has been enacted or substantively enacted.

How to take Proposed Tax Consolidation Requirements into Account

3 Where the elective tax consolidation requirements are relevant to an entity and prior to any implementation of the tax consolidation system by the entity, an enacted or substantively enacted tax consolidation Bill must be taken into account by the entity in the recognition and measurement of deferred tax assets and liabilities in accordance with Accounting Standards AASB 1020 and AAS 3 'Accounting for Income Tax (Tax-effect Accounting)' or AASB 1020 and AAS 3 'Income Taxes' as follows:

   a the carrying amounts of deferred tax assets and liabilities must be increased or decreased, as appropriate, to the amounts supported by the tax law (as amended by the tax consolidation Bill) and, in the case of a subsidiary, the consideration expected to be received from or paid to another entity in relation to the deferred tax balances;

b the relevant recognition criteria for deferred tax assets and liabilities set out in those Standards, as applicable, must be satisfied, with the exception that for subsidiaries the realisation of deferred tax assets and the settlement of deferred tax liabilities may be through arrangements with another entity rather than through income tax assessments for the subsidiary; and

c deferred tax assets and liabilities arising in the entity must be recognised, if appropriate, only by that entity (and the economic entity that includes that entity).

Abstract 40: Non-Reciprocal Transfers Within an Economic Entity for Monetary or no Consideration

Application and Operative Date

This consensus applies to all reporting entities for reporting periods ending on or after 26 July 2001.

This consensus applies to the accounting by an acquirer for an acquisition in which:

a control of an asset, group of assets or net assets is transferred from one entity in an economic entity to another entity in the same economic entity

b purchase consideration is wholly monetary, or nil; and

c the transfer is a non-reciprocal transfer or a transfer with both reciprocal and non-reciprocal components.

Consensus Reached

1 A non-reciprocal transfer or a transfer with reciprocal and non-reciprocal components must be recognised at the fair value of the transfer as at the acquisition date.

2 The fair value of the transfer less any purchase consideration must be recognised as:

   a a contribution by owners when it satisfies the definition of "contribution by owners" in AASB 1004/AAS 15 "Revenue"; and

   b revenue, in any other case.

Abstract 41: Fair Value of Equity Instruments Issued as Purchase Consideration

Application and Operative Date

This consensus applies to all reporting entities for acquisitions announced on or after 6 September 2001.

Consensus Reached

1 When determining the fair value as at the acquisition date of equity instruments issued as purchase consideration:

   a the fair value of equity instruments must be estimated by reference to the best available market evidence of the price at which the equity instruments could be exchanged between knowledgeable, willing parties in an arm-length transaction; and

   b the fair value of equity instruments that are traded in an active and liquid market is normally their market price as at the acquisition date. However, in some instances, the notional price at which they could be placed in the market is a better indicator of fair value.

2 When equity instruments are issued as purchase consideration and either:

   a a market price does not exist for those equity instruments; or

   b a market price does exist as at the acquisition date, but that price has not been used as the fair value of the equity instruments;

   the entity must disclose the method and significant assumptions applied in determining their fair value.

   Where a market price exists but has not been used as the fair value, the entity must disclose the aggregate difference between the market price and the fair value of the equity instruments, and the reasons why the market price is not the fair value of the equity instruments.

Abstract 42: Subscriber Acquisition Costs in the Telecommunication Industry

Application and Operative Date

This consensus applies to all reporting entities for reporting periods ending on or after 18 October 2001.

Consensus Reached

1 Subscriber acquisition costs are costs incurred in obtaining and recording telecommunications service contracts with subscribers. Direct subscriber acquisition costs are those subscriber acquisition costs that are directly attributable to establishing specific subscriber contracts and would not have been incurred had those contracts not been entered into.

2 Direct subscriber acquisition costs be recognised as expenses as incurred, except that they must be recognised as an asset when, and only when:

- a the entity controls future economic benefits as a result of the costs incurred;
- b it is probable that those future economic benefits will eventuate; and
- c the costs can be measured reliably.

3 Subscriber acquisition costs recognised as an asset in accordance with this consensus must be amortised from the date of initial recognition over the period during which the future economic benefits are expected to be obtained in accordance with Accounting Standards AASB 1021 and AAS 4 "Depreciation".

4 Subscriber acquisition costs other than those dealt with above must be expensed as incurred.

Abstract 43: Classification of Financial Instruments with Conversion Options

Application Date and Operative Date

This consensus applies to all reporting entities for reporting periods ending on or after 18 October 2001.

Consensus Reached

1 Financial instruments with no maturity or redemption date and with any of the following features are not converting financial instruments as defined in Accounting Standard AASB 1033 and AAS 33 "Presentation and Disclosure of Financial Instruments":

- a holders have the option to require the issuer to exchange the financial instrument for ordinary shares of the issuer;
- b holders have the option to require the issuer to redeem or exchange the financial instrument, and the issuer then has the option to redeem the instrument for cash or exchange the instrument for ordinary shares of the issuer; or
- c holders have the option to offer to sell the financial instrument to an entity that is not an agent of the issuer, and:
  - i the potential third-party purchaser is not obligated to buy the instrument from the holder; and
  - ii holders have the option to require the issuer to exchange for ordinary shares of the issuer any instrument not sold through this resale facility.

2 An issuer of a financial instrument identified above must classify the financial instrument, or its component parts, as a liability or equity in accordance with the definition of a financial liability and an equity instrument set out in Accounting Standards AASB 1033 and AAS 33 "Presentation and Disclosure of Financial Instruments".

Abstract 44: Acquisition of In-Process Research and Development

Application Date and Operative Date

This consensus applies to all reporting entities in respect of in-process research and development (IPR&D) acquired in the acquisition of an entity or operation which is initially recognised in reporting periods ending on or after 12 February 2002.

Consensus Reached

1 For the purposes of Abstract 44, IPR&D comprises acquired intellectual property and other identifiable intangible assets that can be used only in research and development activities.

2 IPR&D must be recognised as a research and development asset as at the date of acquisition in accordance with AASB 1015/AAS 21 "Acquisition of Assets" when and only when the asset recognition criterion specified in AASB 1011/AAS 13 "Accounting for Research and Development Costs" is satisfied.

3 Where not separately recognised as a research and development asset as at the date of acquisition in accordance with the above, IPR&D must be included in the determination of the amount of goodwill (or goodwill on acquisition) recognised. To the extent that the cost of acquisition exceeds the fair value of the net identifiable assets acquired but the difference does not constitute goodwill in accordance with AASB 1013/AAS 8 "Accounting for Goodwill" such difference must be recognised as an expense in the statement of financial performance.

Abstract 45: Subsidiary becomes a Joint Venture Entity or an Associate

This Consensus applies to all reporting entities for reporting periods ending on or after 19 March 2002 where subsidiaries issue equity instruments.

Consensus Reached

1 A change in the status of an investment from a subsidiary to a joint venture entity or an associate must be recognised in the consolidated financial statements for an economic entity that includes the investor entity in the reporting period in which the change occurs, as follows:

a revenues and expenses of the former subsidiary from the beginning of the reporting period to the date of the change in status of the investment must be recognised; and

b the effect of the loss of control and the initial application of the equity method of accounting must be recognised as follows:

i the carrying amount of the investment must be adjusted, as at the date of the change in status, to that amount, determined in accordance with Accounting Standards AASB 1016 and AAS 14 "Accounting for Investments in Associates", which would have been the carrying amount had it been an investment in an associate since the acquisition date;

ii the retained profits (surplus) or accumulated losses (deficiency) and reserves of the investee previously recognised in the consolidated financial statements must be recognised as a direct credit to equity or a direct debit to equity, as appropriate, as at the beginning of the reporting period; and

iii the net effect of the change in status of the investment must be recognised as a revenue or an expense, as appropriate, as at the date of the change in status.

Abstract 46: Initial Foreign Currency Translation for Redomiciled Entities

This Consensus applies to all reporting entities that redomicile during a reporting period ending on or after 19 March 2002 and apply Accounting Standard AASB 1012 or AAS 20 "Foreign Currency Translation" for the first time.

Consensus Reached

1 For the purposes of this Consensus, the reporting period in which the entity changes its place of domicile is referred to as the current reporting period.

2 Where an entity changes its place of domicile and changes its reporting currency, the initial translation to the new reporting currency must be carried out as at the beginning of the current reporting period as follows:

a where the entity has relevant and reliable historical financial statements (or the

information required to prepare them) in the new reporting currency for an entity or operation, those statements (or information) are adopted for that entity or operation;

b where the entity does not have relevant and reliable historical financial statements (or the information required to prepare them) in the new reporting currency for an entity or operation, the assets, liabilities and items of equity as at the beginning of the current reporting period are translated at the spot rate at that time;

c comparative information for the preceding reporting period is based on relevant and reliable historical financial statements (or the information required to prepare them) in the new reporting currency or is translated at the spot rate specified in paragraph (b) above, as appropriate; and

d to the extent that a balancing amount arises in the new reporting currency, it is adjusted against retained profits (surplus) or accumulated losses (deficiency).

3 Once the initial translation has been made, the transitional provisions set out in Accounting Standard AASB 1012 or AAS 20 "Foreign Currency Translation" must be applied as at the beginning of the current reporting period. The transitional provision in paragraph 9.2 of Accounting Standard AASB 1012, as issued in November 2000, is not relevant to equity translated under this Consensus as set out above.

4 Once the transitional provisions in Accounting Standard AASB 1012 or AAS 20 "Foreign Currency Translation" have been applied as at the beginning of the current reporting period, the requirements of AASB 1012 or AAS 20 must be applied subsequently by the entity.

Abstract 47: Professional Indemnity Claims Liabilities In Medical Defence Organisations

This Consensus applies to the medical defence activities of all reporting entities which are or include medical defence organisations for reporting periods ending on or after 14 June 2002.

Consensus Reached

1 Subject to paragraph 2 below, liabilities arising in respect of outstanding claims must be recognised in relation to events that have occurred prior to the end of the reporting period that are alleged to be covered by medical indemnity arrangements of the entity, in the following cases:

a unpaid reported claims;

b incurred but not reported claims arising under claims incurred indemnity arrangements;

c incurred but not reported claims arising under extended reporting benefit indemnity arrangements or death, disablement or retirement indemnity arrangements, in relation to:

i members for whom such indemnity arrangements are in effect as at the end of the reporting period; and

ii members expected to qualify in the future for such indemnity arrangements through continued membership, death or disablement; and

d incurred but not reported claims arising under other claims-made indemnity arrangements which are, in substance, claims-incurred indemnity arrangements.

2 Liabilities arising in respect of outstanding claims must be recognised when, and only when, it is probable that settlement will be required and they are capable of being measured reliably.

3 The following information must be disclosed in relation to the determination of the liability for outstanding claims:

   a the accounting policies and methods adopted, including the basis of measurement and key assumptions applied; and

   b Information about the nature and extent of the underlying indemnity arrangements, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows.

Abstract 48: Status of Tax Consolidation Legislation

This Consensus, which was agreed on 2 July 2002, applies to all reporting entities for reporting periods ending on or after 28 June 2002.

Consensus Reached

1 Given the linking of the commencement date of the New Business Tax System (Consolidation) Bill (No. 1) 2002 to Royal Assent of the New Business Tax System (Consolidation, Value Shifting, Demergers and Other Measures) Bill 2002, the first Bill is not taken to be enacted or substantively enacted for financial reporting purposes until the second Bill has been enacted or substantively enacted.

Abstract 49: Revenue - Barter Transactions Involving Advertising Services

This Consensus applies to all reporting entities for reporting periods ending on or after 2 July 2002.

Consensus Reached

1 Revenue from a barter transaction involving advertising cannot be measured reliably at the fair value of advertising services received. However, a Seller can reliably measure revenue at the fair value of the advertising services it provides in a barter transaction, by reference only to non-barter transactions that:

   a involve advertising similar to the advertising in the barter transaction;

   b occur frequently;

   c represent a predominant number of transactions and amount when compared to all transactions to provide advertising that is similar to the advertising in the barter transaction;

   d involve cash and/or another form of consideration (e.g., marketable securities, non-monetary assets, and other services) that has a reliably measurable fair value; and

   e do not involve the same counterparty as in the barter transaction.

Abstract 50: Evaluating the Substance of Transactions Involving The Legal Form of a Lease

This Consensus applies to all reporting entities for reporting periods ending on or after 13 August 2002.

Consensus Reached

1 A series of transactions that involve the legal form of a lease is linked and must be accounted for as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole.

2 The accounting must reflect the substance of the arrangement. All aspects and implications of an arrangement must be evaluated to determine its substance, with weight given to those aspects and implications that have an economic effect.

3 Accounting Standards AASB 1008 and AAS 17 "Leases" apply when the substance of an arrangement includes the conveyance of the right to use an asset for an agreed period of time. Indicators that individually demonstrate that an arrangement may not, in substance, involve a lease under AASB 1008 and AAS 17 include:

   a an entity retains all the risks and rewards incident to ownership of an underlying asset and enjoys substantially the same rights to its use as before the arrangement;

b the primary reason for the arrangement is to achieve a particular tax result, and not to convey the right to use an asset; and

c an option is included on terms that make its exercise almost certain (for example, a put option that is exercisable at a price sufficiently higher than the expected fair value when it becomes exercisable).

4 The definitions and guidance in Statement of Accounting Concepts SAC 4 "Definition and Recognition of the Elements of Financial Statements" paragraphs 14 to 77 must be applied in determining whether, in substance, a separate investment account and lease payment obligations represent assets and liabilities of the entity. Indicators that collectively demonstrate that, in substance, a separate investment account and lease payment obligations do not meet the definitions of an asset and a liability and must not be recognised by the entity include:

a the entity is not able to control the investment account in pursuit of its own objectives and is not obligated to pay the lease payments. This occurs when, for example, a prepaid amount is placed in a separate investment account to protect the Investor and may only be used to pay the Investor, the Investor agrees that the lease payment obligations are to be paid from funds in the investment account, and the entity has no ability to withhold payments to the Investor from the investment account;

b the entity has only a remote risk of reimbursing the entire amount of any fee received from an Investor and possibly paying some additional amount, or, when a fee has not been received, only a remote risk of paying an amount under other obligations (for example, a guarantee). Only a remote risk of payment exists when, for example, the terms of the arrangement require that a prepaid amount is invested in risk-free assets that are expected to generate sufficient cash flows to satisfy the lease payment obligations; and

c other than the initial cash flows at inception of the arrangement, the only cash flows expected under the arrangement are the lease payments that are satisfied solely from funds withdrawn from the separate investment account established with the initial cash flows.

5 Other obligations of an arrangement, including any guarantees provided and obligations incurred upon early termination, must be accounted for in accordance with Accounting Standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets".

6 The criteria in paragraph 7.1 of Accounting Standards AASB 1004 and AAS 15 "Revenue" must be applied to the facts and circumstances of each arrangement in determining when to recognise a fee as revenue that an entity might receive. Factors such as whether there is continuing involvement in the form of significant future performance obligations necessary to earn the fee, whether there are retained risks, the terms of any guarantee arrangements, and the risk of repayment of the fee, must be considered. Indicators that individually demonstrate that recognition of the entire fee as revenue when received, if received at the beginning of the arrangement, is inappropriate include:

a obligations either to perform or to refrain from certain significant activities are conditions of earning the fee received, and therefore execution of a legally binding arrangement is not the most significant act required by the arrangement;

b limitations are put on the use of the underlying asset that have the practical effect of restricting and significantly changing the entity's ability to use (for example, deplete, sell or pledge as collateral) the asset;

c the possibility of reimbursing any amount of the fee and possibly paying some additional

amount is not remote. This occurs when, for example:

i the underlying asset is not a specialised asset that is required by the entity to conduct its business, and therefore there is a possibility that the entity may pay an amount to terminate the arrangement early; or

ii the entity is required by the terms of the arrangement, or has some or total discretion, to invest a prepaid amount in assets carrying more than an insignificant amoıunt of risk (for example, currency, interest rate or credit risk). In this circumstance, the risk of the investment's value being insufficient to satisfy the lease payment obligations is not remote, and therefore there is a possibility that the entity may be required to pay some amount.

7 The fee must be recognised in the statement of financial performance based on its economic substance and nature.

8 All aspects of an arrangement that does not, in substance, involve a lease under AASB 1008 and AAS 17 must be considered in determining the appropriate disclosures that are necessary to understand the arrangement and the accounting treatment adopted. An entity must disclose the following in each period that an arrangement exists:

a a description of the arrangement including:

i the underlying asset and any restrictions on its use;

ii the life and other significant terms of the arrangement;

iii the transactions that are linked together, including any options; and

b the accounting treatment applied to any fee received, the amount recognised as revenue in the period, and the line item of the statement of financial performance in which it is included.

9 The disclosures required in accordance with paragraph 8 above of this Consensus must be provided individually for each arrangement or in aggregate for each class of arrangement. A class is a grouping of arrangements with underlying assets of a similar nature (for example, power plants).

Abstract 51: Recovery of Unfunded Superannuation of Universities

This Consensus applies to all universities that are reporting entities for reporting periods ending on or after 10 December 2002.

Consensus Reached

1 Where a university has recognised a liability for unfunded superannuation obligations and some or all of the economic benefits required to settle the liability are expected to be recovered from third parties, the recovery must be recognised as an asset when:

i the university controls future economic benefits in respect of the recovery,

ii it is probable that the recovery will be received and the recovery is probable; and

iii the amount of the recovery receivable can be measured reliably.

2 Existing arrangements with Commonwealth and State Governments and evidence from past practice indicates that universities control the receivable and recovery is considered probable.

Abstract 52: Income Tax Accounting under the Tax Consolidation System

This Consensus applies to all reporting entities for reporting periods ending on or after 10 December 2002.

Consensus Reached

1 The recognition and measurement of income tax amounts in accordance with AASB 1020/AAS 3 "Accounting for Income Tax (Tax-effect Accounting)" or AASB 1020/AAS 3 "Income Taxes", must take into account the effects of the tax consolidation system upon the entity, subject to any tax sharing agreement, as follows:

   a the head entity in a tax-consolidated group must recognise tax balances in respect of its own transactions, events and balances;

   b the head entity must also recognise tax balances relating to transactions, events and balances of the wholly-owned subsidiaries in the tax-consolidated group as if those transactions, events and balances were its own;

   c a wholly-owned subsidiary in a tax-consolidated group must not recognise current and deferred tax amounts in respect of its own transactions, events and balances; and

   d the economic entity that comprises or includes a tax-consolidated group must recognise the tax balances relating to transactions, events and balances of the entities in the economic entity.

2 Where the head entity and wholly-owned subsidiaries in the tax-consolidated group have entered into a tax sharing agreement, each entity must recognise the assets, liabilities, expenses and revenues arising for it (if any) under the agreement.

3 Where the head entity is in default of its payment obligations under the tax consolidation system or such default is probable, a wholly-owned subsidiary in a tax-consolidated group must recognise a liability (if any) arising under the joint and several liability provisions of the tax consolidation system.

4 The following information must be disclosed separately by a head entity and by a wholly-owned subsidiary in a tax-consolidated group:

   a the relevance of the tax consolidation system to the entity, including the part of the reporting period for which it applies to the entity where it is not applicable for the whole of the reporting period, and the name of the head entity; and

   b information about the nature of any tax sharing agreement, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows.

Part Six – Statements of Accounting Concepts

Statements of Accounting Concepts (SACs) were prepared by the Public Sector Accounting Standards Board (PSASB) and the Australian Accounting Standards Board (AASB). If further SACs are issued in the future, it is envisaged that they would be issued by either the AASB or jointly by the Australian Accounting Research Foundation (AARF) on behalf of the Institute of Chartered Accountants in Australia (ICAA) and CPA Australia.

SACs currently on issue are:

SAC 1 "Definition of the Reporting Entity";

SAC 2 "Objective of General Purpose Financial Reporting";

SAC 3 "Qualitative Characteristics of Financial Information"; and

SAC 4 "Definition and Recognition of the Elements of Financial Statements".

The first two statements are closely associated with the concept of differential reporting. This concept is discussed in Part 1 to this guide. The third statement requires all general purpose financial reports to:

a include all financial information which satisfies the concepts of relevance, reliability, and which passes the materiality test; and

b be presented on a timely basis and in a manner which satisfies the concepts of comparability and understandability.

Purpose

These statements form the first of a total conceptual framework for financial reporting. The conceptual framework is a set of interrelated concepts which will define the nature, subject, purpose and broad content of financial reporting.

There are 19 Tentative Building Blocks of a Conceptual Framework for General Purpose Financial Reporting and the statements listed above relate to blocks 2 to 6 only.

The SACs were intended to:

a make reporting requirements more consistent and logical;

b create all embracing provisions which are more difficult to avoid;

c make the boards think more closely about the logic behind specific requirements in Accounting Standards which are outside the framework;

d reduce the risk of over-regulation by reducing the need for specific Accounting Standards to those cases where application of the concepts statements is not clear-cut;

e create better understanding of the financial reporting requirements; and

f make the setting of requirements more economical by removing the need to re-debate them from differing viewpoints.

Enforcement

APS 1 was amended in December 1993 to remove the mandatory status of SACs for members of the ICAA and the then Australian Society of Certified Practising Accountants (now known as CPA Australia). However, the statements are still authoritative guidance and will act as a reference source for accounting standard formulation.

ASRB Release 100 "Nature of Approved Accounting Standards and Statements of Accounting Concepts and Criteria for the Evaluation of Proposed Approved Accounting Standards" is essentially a guideline used by the AASB (then ASRB) in the drafting of Accounting Standards. However, it does state that it is

appropriate for preparers of company financial statements and auditors to make use of the concept statements in satisfying their obligations under the Corporations Act 2001 to ensure that financial statements give a true and fair view.

For practical purposes, should a clash between a concept statement and any Accounting Standard arise, the Accounting Standard would prevail. Even so, it is contended that any change to remove such a clash would be made to the Accounting Standard rather than the concept statement.

The key features of SAC 4 are as follows:

Definition and Recognition of Assets

Assets are the future economic benefits controlled by the entity as a result of past transactions or other past events.

An asset shall be recognised when, and only when:

a it is probable that the future economic benefits embodied in the asset will eventuate; and

b the asset possesses a cost or other value that can be measured reliably.

The essential characteristics are therefore:

a there must be economic benefits (a machine would normally have these unless it has become obsolete or unusable and has no scrap value);

b the entity must have control over these (public highways may provide economic benefits and will be assets of governmental unit, but do not quality as assets of other entities); and

c the transaction or event giving rise to that control must have occurred (this would include accretion and discovery).

The absence of the following do not preclude the existence of an asset:

a acquisition at a cost;

b tangibility;

c exchangeability (ie separable from the entity) eg goodwill arising from unidentifiable assets such as market penetration, effective advertising, etc.

d legal enforceability (eg a formula or invention could be protected by secrecy rather than applying for a patent)

The recognition criteria rely on:

a the probability that future economic benefits will eventuate (eg likelihood of not being able to recover the full amount of all debts leads to a provision for doubtful debts);

b reliable measurement (eg a mining company discovering evidence of minerals after insignificant costs of exploration may not be able to reliably measure the asset).

The statement gives special consideration to:

a contracts equally proportionately unperformed;

b leases and indicates that non-cancellable leases would normally meet the asset recognition criteria;

c firm commitments – if an obligation for capital expenditure cannot be avoided without substantial penalty then an asset exists; and

d contingent assets – which would be booked as assets if they met the criteria but states that otherwise may need to be shown in the notes to the financial statements.

Definition and Recognition of Liabilities

Liabilities are the future sacrifices of future economic benefits that a reporting entity is presently obliged to make to other entities as a result of past transactions or other past events.

A liability shall be recognised when, and only when:

a it is probable that the future sacrifice of future economic benefit will be required; and

b the amount of the liability can be measured reliably.

The requirements for liabilities fit in nicely with those for assets and a similar approach is adopted in analysing the criteria.

The statement again gives special consideration to certain items:

a contracts equally proportionately unperformed;

b leases and indicates that non-cancellable leases would normally meet the liability criteria;

c firm commitments – if an obligation for capital expenditure cannot be avoided without substantial penalty then a liability exists;

d contingent liabilities – which would be booked as liabilities if they met the criteria but states that otherwise may need to be shown in the notes to the financial statements;

e unearned revenue – which qualifies as a liability;

f employee entitlements; and

g preference shares – which, depending on the type, may be liabilities – eg redeemable preference shares with a specified redemption date or redeemable at the option of the holder.

Definition and Recognition of Expenses

Expenses are consumptions or losses of future economic benefits in the form of reductions in assets or increases in liabilities of the entity, other than those relating to distributions to owners, which result in a decrease in equity during the reporting period.

An expense shall be recognised when, and only when:

a it is probable that the consumption or loss of future economic benefits or service potential resulting in a reduction in assets and/or an increase in liabilities has occurred; and

b the consumption or loss of future economic benefits can be measured reliably.

Again the interpretation of these requirements fits in with those for assets.

Special consideration is given to:

a long-lived assets – even though the rate of consumption or loss of economic benefits takes place over a long period or cannot be identified with the recognition of specific revenues or provision of particular services, few assets have an infinite life and amortisation over the expected life is necessary. Specific mention is made of intangibles such as patents, trademarks and mastheads;

b maintenance, repairs and overhauls – reiterating the AAS 4 arguments for the need to recognise an expense over the period future economic benefits of the assets are consumed;

c employee entitlements – considered to be expenses; and

d uninsured future losses – stating that an expense only arises when there is a loss and that any self-insurance provision is of the nature of a reserve.

Definition of Equity

Equity is the residual interest in the assets of the entity after deduction of its liabilities.

The discussion section of SAC 4 details the following as characteristics of equity:

a it ranks after liabilities as a claim to the assets of an entity; and

b it bears the results of operations and consequences of other events affecting the entity.

Because equity is the excess of assets over liabilities, the recognition criteria for assets and liabilities provide the criteria for recognising equity. Complete accounting for assets and liabilities occurs only under the accrual basis and so the concept of equity is used only when that basis has been adopted.

Characteristics of liabilities that equity does not have are;

a liabilities are generally claims for a stated or determinable sum;

b settlement may be required on demand, at a specified or determinable date, or on the happening of a specified event.

Particular items discussed in the appendix to SAC 4 are:

a items which are liabilities:

  i dividends declared;

  ii cumulative non-participating preference shares;

  iii redeemable preference shares with specified redemption date or redeemable at option of holder;

  iv redeemable preference shares redeemable at option of issuer where it is probable the entity will redeem;

  v convertible debt where it is probable that the debt will not be converted to ordinary shares;

  vi “perpetual” capital notes; and

  vii subordinated loans;

b items which are equity:

  i ordinary shares;

  ii convertible debt where it is probable that the debt will be converted to ordinary shares;

  iii government grants received by public sector entities;

  iv fees paid by members of a club where a financial interest in the net assets of the club is established; and

c items which are revenue:

  i contributions made by entities other than owners (eg donations, bequests and grants); and

  ii fees paid by members of a club where no financial interests in the net assets of the club are established.

Definition and Recognition of Revenues

Revenues are inflows or other enhancements, or savings in outflows, of service potential or future economic benefits in the form of increases in assets or reductions in liabilities of the entity, other than those relating to contributions by owners, that result in an increase in equity during the reporting period.

Revenue shall be recognised when, and only when:

a it is probable that the inflow or other enhancement or saving in outflows of service potential or economic benefits has occurred; and

b the inflow or other enhancement or saving in outflows of economic benefits or service potential can be measured reliably.

The definition is linked into the definition and recognition of assets and liabilities criteria. Revenue items therefore include forgiveness of loans, gains on foreign currency transactions, gains on settlement of liabilities and gains on disposal of assets.

Part Seven – Accounting Exposure Drafts

The Australian Accounting Standards Board (AASB) release exposure drafts as part of the process of issuing Accounting Standards and Statements of Accounting Concepts.

Accounting Exposure Drafts

The following table lists accounting exposure drafts currently on issue.

Standard	Topic	Issued
ED 100	Arrangements for the provision of Public Infrastrucure by Other Entities – Disclosure Requirements	12/99
ED 103	Investment Property (and Consequential Amendments to AASB 1021/AAS 4 and AASB 1041)	12/01
ED 106	Director, Executive and Related Party Disclosure	09/02
ED 107	Request for Comment on IASB ED 1 First-time Application of International Financial Reporting Standards	08/02
ED 108	Request for Comment on IASB ED 2 Share-based Payment	11/02
ED 109	Request for comment on IASB ED 3 "Business Combinations", IASB ED of Proposed Amendments to IAS 36 "Impairment of Assets" & IAS 38 "Intangible Assets" and AASB added material	12/02

Part Eight – Accounting Guidance Releases

Accounting Guidance Releases

Accounting Guidance Releases were prepared and issued by the Australian Accounting Standards Board (AASB) and the Public Sector Accounting Standards Board (PSASB) to provide guidance concerning the application of Australian Accounting Standards and Statements of Accounting Concepts. The following Accounting Guidance Releases are currently on issue:

Number	Topic	Issued
AAG 1	Purpose and Scope of Accounting Guidance Releases and Procedures for Issuance	06/90
AAG 2	Accounting for a Change in the Rate of Company Income Tax	12/85
AAG 4	Accounting for Intra-Group Transfer of Tax Losses	12/85
AAG 8	Accounting for the Capital Gains Tax	09/87
AAG 10	Measurement of Monetary Assets and Liabilities	04/88
AAG 11	Debtor's Accounting for Debt Restructuring	06/90
AAG 13	Determination of Discount Rates for Measuring Certain Liabilities at Present Value	07/93
AAG 14	Recognition of Contributions to Local Governments	09/93

Accounting Interpretations

In place of Accounting Guidance Releases, Accounting Interpretations were prepared by the AASB and the PSASB and issued by Australian Accounting Research Foundation (AARF) to provide guidance concerning the application of Australian Accounting Standards and Statements of Accounting Concepts. The following Accounting Interpretations are currently on issue:

Number	Topic	Issued
AI 1	Amortisation of Identifiable Intangible Assets	06/99

It is unclear whether the newly formed AASB will issue Accounting Interpretations in the future.

Accounting Bulletins

Accounting Bulletins were issued by the staff of AARF after consultation with the Chairman of the AASB and/or the Chairman of the PSASB and, where relevant, the Chairman of the Urgent Issues Group (UIG). The following Accounting Bulletins are currently on issue:

Number	Topic	Issued
AB 1	Application of AASB 1033 and AAS 33 to Compound Financial Instruments Issued on or After 1 January 1998	03/98
AB 2	Optional Recognition of Land Under Roads	06/98
AB 3	Accounting for Convertible Debt	07/98

To date, the reconstituted AASB have not issued any Accounting Bulletins and it is unclear whether Accounting Bulletins will be issued in the future.

Part Nine – ASIC Class Orders

ASIC Class Orders

Sections 341 and 111AT of the Corporations Act 2001 provides that the Australian Securities Investments Commission (ASIC) may, in certain cases, make class orders relieving the company, registered scheme or disclosing entity, its directors and/or auditors from certain financial reporting and auditing requirements of the Corporations Act 2001.

The following more important and relevant class orders have been released by the ASIC:

Release Number	Date	Subject
98/96	10/07/98	Permits foreign controlled companies, registered schemes and disclosing entities to synchronise their financial year with that of their ultimate foreign parent entity where the foreign parent is required by law to synchronise the financial years of subsidiaries provided certain conditions are satisfied.
98/98	10/07/98	Relieves foreign controlled small proprietary companies from the requirement to prepare a financial report in circumstances where a financial report is not lodged by the foreign parent entity or intermediate Australian parent entity provided certain conditions are satisfied.
98/99	10/07/98	Relieves large proprietary companies in which an ownership (but not a controlling interest) is held by a foreign company or which have an authorised trustee company as a non-beneficial member from the requirement to lodge a financial report, directors' report and auditors' report with the ASIC provided certain conditions are satisfied.
98/100	10/07/98	Permits rounding off in the directors' report and financial report where total assets exceed $10 million, $1,000 million and $10,000 million.
98/101	10/07/98	Relieves public companies, registered schemes and disclosing entities from the requirement to send a full or concise financial report to shareholders where the entity cannot establish the address of a shareholder provided certain conditions are satisfied.
98/104	10/07/98	Relieves listed entities from the requirement to lodge a copy of their financial report, directors' report and auditors' report for the financial year and half-year with the ASIC where those reports have already been lodged with the ASX. Where a concise financial report has been prepared it must be lodged with the ASX along with the full financial report.
98/105	10/07/98	Relieves authorised trustee corporations and wholly-owned subsidiaries of authorised trustee corporations from the requirement to recognise liabilities incurred in the capacity of trustee or representative (and the corresponding right of indemnity) provided the particulars of the relief are disclosed in the notes to the financial statements. Where a concise financial report has been prepared it must be lodged with the ASX along with the full financial report.
98/106	10/07/98	Relieves disclosing entities which are regulated superannuation funds, approved deposit funds or pooled superannuation trusts from preparing and lodging annual and half-year financial reports.

Release Number	Date	Subject
98/107	10/07/98	Relieves companies and disclosing entities licensed under the Workers Compensation Act 1987 (NSW) from the requirement to incorporate in their financial report (and concise financial report) details of the performance and state of affairs of the statutory funds required to be maintained under the Act.
98/109	10/07/98	Relieves authorised insurers under the Accident Compensation (Work Cover Insurance) Act 1993 (Vic) from certain requirements of accounting standards AASB 1014 and AASB 1023 concerning the disclosure of certain insurance assets and liabilities.
98/110	10/07/98	Relieves Authorised Deposit-Taking Institutions from the need to disclose certain loans and transactions with related parties (other than directors).
98/111	10/07/98	Relieves financial institutions from the requirement to classify assets and liabilities into current and non-current categories in their half-year financial report provided certain conditions are satisfied.
98/112	10/07/98	Relieves the directors of non-life insurance parent entities from ensuring that the consolidated financial statements comply with certain provisions of accounting standards AASB 1016, AASB 1018, AASB 1024, AASB 1029 and AASB 1034, provided certain conditions are satisfied. Relief adopted in relation to the full financial report must also be reflected in the concise financial report. A brief note that the class order has been applied must be included in the concise financial report.
98/1416	29/07/98	Relieves entities from the requirement to disclose comparative information in relation to an immediately preceding half-year or financial year for which such entities were not required to prepare a financial report.
98/1417	13/08/98	Relieves large proprietary companies and foreign controlled small proprietary companies from the audit requirements of the Corporations Act 2001 provided certain conditions are satisfied.
98/1418	13/08/98	Relieves wholly-owned subsidiaries from the requirement to prepare a financial report and to have that financial report audited provided certain conditions are satisfied.
98/2016	30/10/98	Relieves entities from the disclosing entity requirements of Chapter 2M of the Corporations Act 2001 where the entity ceases to be a disclosing entity before their deadline and the directors resolve that there are no reasons to believe that the entity may become a disclosing entity before the end of the next financial year.
98/2395	24/12/98	Allows companies, registered schemes and disclosing entities to include information otherwise required to be disclosed in the directors' report to be transferred to a document attached to the financial report and directors' report.
99/90	11/02/99	Relieves companies, registered schemes and disclosing entities from sending full financial reports or concise reports to members who made an open-ended standing request in writing under an earlier ASIC class order to be sent neither full financial statements or a short report.
99/1223	30/08/99	Relieves credit unions, building societies, special service providers and friendly societies from distributing financial reports to members who do not hold shares, provided they make the reports available to the members at the company's office in the 21 days up to the company's AGM.
99/1225	30/08/99	Relieves benefit fund friendly societies registered under the Life Insurance Act 1995 from certain financial reporting requirements of Chapter 2M of the Corporations Act 2001 for periods ending on or before 30 June 2003 on condition that the requirements of Prudential Rules No 47 under the Life Insurance Act 1995 are complied with.
01/1594	21/12/01	Relieves registered foreign companies from the requirement to lodge financial statements with the ASIC provided certain conditions are satisfied.

Part Ten – ASIC Practice Notes

ASIC Practice Notes

Practice Notes are issued by the ASIC to provide guidance on the application of certain provisions contained in the Corporations Act 2001 or to indicate the ASIC's interpretation of certain matters contained in AASB accounting standards. The following is a list of relevant ASIC Practice Notes.

Release Number	Date	Subject
22	15/06/92	Provides guidance to directors' regarding their statement as to solvency.
36	05/08/93	Indicates the ASIC's interpretation of AASB 1020 regarding the requirement that a future income tax benefit not be recognised as an asset unless realisation of the benefit is virtually certain.
38	26/09/93	Indicates the ASIC's view regarding accounting methods used by research and development syndications in terms of their compatibility with the Corporations Act 2001 and applicable Accounting Standards.
39	04/11/93	Indicates the ASIC's attitude to a number of accounting issues regarding accounting for purchased goodwill and AASB 1013, including:· • amortisation method • amortisation period • balance date review of unamortised goodwill • disclosure of the adopted accounting policy • the application of materiality
54	01/09/94	Indicates the ASIC's view regarding the application of AASB 1015 regarding accounting for the acquisition of net assets, including: • the application of s.191 • the recognition of goodwill
61	04/03/96	Details the arrangements that the ASIC has made with the ASX to provide relief to listed disclosing entities from the requirement to lodge a copy of their half-year financial report with the ASIC where that half-year financial report has already been lodged with the ASX.
68	01/11/98	Clarifies some of the accounting-related requirements introduced into the Corporations Act 2001 by the Company Law Review Act 1998 and the Managed Investments Act 1998.
71	3/10/2001	Provides the ASIC's view regarding financial reporting for Australian entities in dual-listed company arrangements. Issues addressed include: • acquisition accounting and consolidation • information reported overseas

Part Eleven – ASX Listing Rules

ASX Listing Rules (last updated 1 January 2003)

The following table outlines the disclosures required to be included in the annual financial report of a listed entity by the ASX Listing Rules:

Source References	Disclosure Requirements
All Listed Entities	
4.10	An entity must include the following information in its annual report. The information must be current as at a specified date, that is no more than 6 weeks before the report is sent to security holders.
4.10.3	A statement disclosing the extent to which the entity has followed the best practice recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed all of the recommendations the entity must identify those recommendations that have not been followed and give reasons for not following them. If a recommendation had been followed for only part of the period, the entity must state the period during which it had been followed.
4.10.4	The names of substantial shareholders in the entity, and the number of equity securities to which each substantial holder and the substantial holder's associates have a relevant interest, as disclosed in substantial holding notices given to the entity. If a substantial holding notice discloses that related bodies corporate have the same relevant interest in the same number of equity securities, the annual report need only include the name of the holding company.
4.10.5	The number of holders of each class of equity securities.
4.10.6	The voting rights attaching to each class of equity securities.
4.10.7	A distribution schedule of the number of holders in each class of equity securities (in the case of securities over which CDIs have been issued, including holders of CDIs), in the categories: • 1 – 1,000 • 1,001 – 5,000 • 5,001 – 10,000 • 10,001 – 100,000 • 100,001 – and over.
4.10.8	The number of holders holding less than a marketable parcel of the entity's main class of securities (in the case of securities over which CDI's have been issued, including holders of CDI's), based on the market price at the specified date.
4.10.9	The names of the 20 largest holders of each class of quoted equity securities, the number of equity securities each holds and the percentage of capital (in the case of a trust, interests) each holds.
4.10.10	The name of the entity's secretary (in the case of a trust, the name of the responsible entity or management company and its secretary).
4.10.11	The address and telephone number of the entity's registered office in Australia; and of its principal administrative office, if the two are different.
4.10.12	The address and telephone number of each office at which a register of securities, register of depositary receipts or other facilities for registration of transfers is kept.
4.10.13	A list of other stock exchanges on which any of the entity's securities are quoted.

Source References	Disclosure Requirements
All Listed Entities	
4.10.14	The number and class of restricted securities or securities subject to voluntary escrow that are on issue, and the date that the escrow period ends. In the case of securities subject to voluntary escrow, this rule does not apply to an annual report for a period ending on or before 31 December 2001.
4.10.16	For each class of unquoted equity securities (except CUFs), the number of equity securities that are on issue and the number of holders. In addition, if a person holds 20% or more of the equity securities in an unquoted class, the name of the holder and number of equity securities held, unless the securities were issued or acquired under an employee incentive scheme.
4.10.17	A review of operations and activities for the reporting period.
4.10.18	Whether there is a current on-market buy-back.
4.10.19	In its first two annual reports after admission, a statement about whether the entity used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. If the use was not consistent, an explanation of how the cash and assets were used. The statement in the first annual report must be for the time between admission and the end of the reporting period. The statement in the second annual report must be for the whole of the reporting period. This rule applies to an entity admitted under rule 1.3.2(b) and an entity required to comply with listing rule 1.3.2(b) because of the application of listing rule 11.1.3.
4.10.20	If the entity is an investment entity, each of the following: a A list of all investments held by it and its child entities; b The total number of transactions in securities during the reporting period, together with the total brokerage paid or accrued during that period; and c The total management fees paid or accrued during the reporting period, together with a summary of any management agreement.
Listed Mining Entities	
5.6	The annual report must comply with the requirements of Appendix 5A of the Listing Rules.
Listed Mining Exploration Entities	
4.10.15	If the entity is a mining exploration entity, the annual report must include a list of interests in mining tenements, where the tenements are situated and the percentage interest it holds in each.

Part Twelve – International Financial Reporting Standards

Adoption of International Accounting Standards by 2005

In July 2002, the Financial Reporting Council (FRC) formalised its support for International Financial Reporting Standards (IFRS, previously known as International Accounting Standards) to be adopted for financial reporting in Australia by 1 January 2005. The Federal Government has also, under its Corporate Law Economic Reform Program with the release of Issues Paper No. 9 “Corporate Disclosure – Strengthening the Financial Reporting Framework”, reinforced the FRCs proposal for the adoption of IFRS by 2005.

The compelling reason for the change to IFRS is that a single set of high quality accounting standards which are accepted in major international capital markets will greatly facilitate cross-border comparisons by investors, reduce the cost of capital, and assist Australian companies wishing to raise capital or list overseas. The timing of the introduction of IFRS coincides with the requirement for European Union listed companies to prepare consolidated financial reports in accordance with IFRS. Concerns have been raised that if Australia adopts IFRS later than 2005 it may result in Accounting Standards in Australia being out of step with Europe.

As a result, the AASB has increased the priority being placed on harmonisation and convergence. The AASB has for some time been developing Accounting Standards with a view to international harmonisation, but in March 2003 the AASB issued its detailed plans for the process of full convergence with IFRS. The new plans indicate that the AASB intends to adopt IFRS as equivalent Accounting Standards, with some possible minor amendments. These Accounting Standards would apply to all entities complying with Accounting Standards in Australia, and therefore convergence with IFRS will need to be addressed by all entities. It remains unclear at this stage how the AASB plan interacts with the CLERP 9 proposal to amend the Corporations Act 2001 to require full compliance with IFRS.

Although subject to the IASB adhering to their timetable, the AASB intends to issue 35 new or revised Accounting Standards by 31 March 2004. Due to the inter-relationships that exist within IFRS, the AASB has adopted a ‘big-bang’ approach to convergence and all these Accounting Standards will be applicable from 1 January 2005.

It is intended that the new/revised Accounting Standards will converge with IFRS, however as part of the due process, in addition to some specific issues on several IFRSs, the AASB will seek opinions on whether:

- converging with the IASB is in the best interests of the Australian economy;
- there are any issues relating to not-for-profit entities, including not-for-profit public sector entities, that may affect the implementation of IFRS; and
- there are any regulatory or other issues arising in the Australian environment that may affect the implementation of IFRS.

In order to meet the 2005 deadline, the AASB has indicated it intends to issue in:

- April/May 2003 – five exposure drafts
- June/July 2003 – four exposure drafts and eight new/revised Accounting Standards
- August/September 2003 – fourteen exposure drafts and two new/revised Accounting Standards
- October/November 2003 – five new/revised Accounting Standards
- December 2003 – two new/revised Accounting Standards
- February/March 2004 – eighteen new/revised Accounting Standards

These exposure drafts are in addition to the several exposure drafts and invitations to comment issued by the AASB in 2002, which were based on and issued at the same time as their IASB equivalents.

The impact of the convergence with IFRS will vary from entity to entity, depending on structure, operations, transactions and historical accounting policies. Despite Australia’s previous harmonisation policy, a number of significant differences remain between IFRS and Accounting Standards in Australia.

There are also a myriad of minor differences that many entities will need to identify and resolve. None of the 33 IFRS currently on issue are 100% compatible with Accounting Standards in Australia. In accordance with the IASB's current agenda, a significant majority of these IFRS are also expected to be revised between now and 1 January 2005. In addition, new IFRS are expected on topics including share-based payment, first-time application, business combinations and insurance. As a result, the exact nature and requirements of Accounting Standards that Australian entities will apply from 1 January 2005 will not be known until at least March 2004. Australian entities will therefore need to consider the transition process in the context of concurrent changes.

There are also several Accounting Standards in Australia that do not have an international counterpart, including those on concise financial reports, general and life insurance, the government sector, and extractive industries. It is expected that the current Accounting Standards in these areas will be retained to satisfy local requirements, or until equivalent IASB Standards are developed.

The practical impact of this is that entities will most likely be required to restate prior year comparatives on implementation of the new and revised Accounting Standards in 2005. Assuming the IASB first-time application proposals are adopted in their current form, restatement of balances as early as 31 December 2003 may be required.

Entities should not underestimate the business implications and the amount of work involved. The planning and approach to convergence with IFRS needs to be considered by all entities now.

International Accounting Standards

International Accounting Standards (IASs) were issued by the International Accounting Standards Committee (IASC), which was restructured in March 2001 and replaced by the International Accounting Standards Board (IASB). The IASB has adopted the IASs issued by the IASC and will publish its standards in a series of pronouncement called International Financial Reporting Standards (IFRSs). At this point, the IASB has not issued any IFRSs.

Australian Accounting Standards are, as far as possible, compatible with International Accounting Standards and each contains a statement as to its compatibility.

International Accounting Standards are a source of authoritative guidance where no corresponding Australian Accounting Standard exists.

Current International Accounting Standards are:

IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 7	Cash Flow Statements
IAS 8	Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies
IAS 10	Events After the Balance Sheet Date
IAS 11	Construction Contracts
IAS 12	Income Taxes
IAS 14	Segment Reporting
IAS 15	Information Reflecting the Effects of Changing Prices
IAS 16	Property, Plant and Equipment
IAS 17	Leases
IAS 18	Revenue
IAS 19	Employee Benefits
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 22	Business Combinations
IAS 23	Borrowing Costs
IAS 24	Related Party Disclosures
IAS 25	Accounting for Investments
IAS 26	Accounting and Reporting by Retirement Benefit Plans

IAS 27	Consolidated Financial Statements and Accounting for Investments in Subsidiaries
IAS 28	Accounting for Investments in Associates
IAS 29	Financial Reporting in Hyperinflationary Economies
IAS 30	Disclosure in the Financial Statements of Banks and Similar Financial Institutions
IAS 31	Financial Reporting of Interests in Joint Ventures
IAS 32	Financial Instruments: Disclosure and Presentation
IAS 33	Earnings Per Share
IAS 34	Interim Financial Reporting
IAS 35	Discontinuing Operations
IAS 36	Impairment of Assets
IAS 37	Provisions, Contingent Liabilities and Contingent Assets
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement
IAS 40	Investment Property
IAS 41	Agriculture

International SIC Interpretations are:

SIC 1	Consistency – Different Cost Formulas for Inventories
SIC 2	Consistency – Capitalisation of Borrowing Costs
SIC 3	Elimination of Unrealised Profits and Losses on Transactions with Associates
SIC 5	Classification of Financial Instruments – Contingent Settlement Provisions
SIC 6	Costs of Modifying Existing Software
SIC 7	Introduction of the Euro
SIC 8	First-time Application of IASs as the Primary Basis of Accounting
SIC 9	Business Combinations – Classification either as Acquisitions or Unitings of Interests
SIC 10	Government Assistance – No Specific Relation to Operating Activities
SIC 11	Foreign Exchange – Capitalisation of Losses Resulting from Severe Currency Devaluations
SIC 12	Consolidation – Special Purpose Entities
SIC 13	Jointly Controlled Entities – Non-Monetary Contributions by Venturers
SIC 14	Property, Plant and Equipment – Compensation for the Impairment or Loss of Items
SIC 15	Operating Leases – Incentives
SIC 16	Share Capital – Reacquired Own Equity Instruments (Treasury Shares)
SIC 17	Equity – Costs of an Equity Transaction
SIC 18	Consistency – Alternative Methods
SIC 19	Reporting Currency – Measurement and Presentation of Financial Statements Under IAS 21 and IAS 29
SIC 20	Equity Accounting Method – Recognition of Losses
SIC 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets
SIC 22	Business Combinations – Subsequent Adjustment of Fair Values and Goodwill Initially Reported
SIC 23	Property Plant and Equipment – Major Inspection or Overhaul Costs
SIC 24	Earnings Per Share – Financial Instruments and Other Contracts that May Be Settled in Shares
SIC 25	Income Tax – Changes in the Tax Status of an Enterprise or its Shareholders
SIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
SIC 28	Business Combinations – "Date of Exchange" and Fair Value of Equity Instruments
SIC 29	Disclosure – Service Concession Arrangements
SIC 30	Reporting Currency – Translation from Measurement Currency to Presentation Currency
SIC 31	Revenue – Barter Transactions Involving Advertising Services
SIC 32	Intangible Assets – Web Site Costs
SIC 33	Consolidation and Equity Method – Potential Voting Rights and Allocation of Ownership Interests

IASB Exposure Drafts

The IASB is currnetly working on several projects that are likely to impact applicable standards for 2005.

The following are the Exposure Drafts currently on issue by the IASB:

- Proposed Improvements to International Accounting Standards and their Impacts on Australian Standards
- Proposed Improvements to International Accounting Standards IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement'[1]
- ED 1 First-Time Application of "International Financial Reporting Standards"
- ED 2 Share-based Payment
- ED 3 "Business Combinations" and ED of Proposed Amendments to IAS 36, Impairment of Assets, and IAS 38 "Intangible Assets"

Notes

Our Signals

Recruit and retain the best	Our people are talented, enthusiastic, self-starters, team players who are bursting with potential. They are people with whom we have a lifetime association.
Talk straight	When we talk, it's open, regular, honest, constructive two-way communication between our people and our clients.
Empower and trust	We encourage a sense of ownership and pride by giving responsibility and delegating authority.
Continuously grow and improve	We have an environment that respects the individual, rewards achievements, welcomes change and encourages a lifetime of learning - with ourselves and our clients.
Aim to be famous	We aim to reach for the stars - and beyond. To become thought leaders, showcasing our clients and our team's talent and expertise.
Play to win-think globally	Winning is our stated objective. It is also our state of mind.
Have fun and celebrate	There is never a wrong time to celebrate and have fun – recognising, appreciating, acknowledging and learning from the experiences and success shared between our client and Deloitte teams.

Further Information

For further information please contact your nearest Deloitte Touche Tohmatsu office.

Adelaide

Deloitte House
190 Flinders Street
ADELAIDE SA 5000
Telephone (08) 8407 7000
Facsimile (08) 8407 7001

Alice Springs

9 Parsons Street
ALICE SPRINGS NT 0871
Telephone (08) 8950 7000
Facsimile (08) 8950 7001

Brisbane

Riverside Centre
Level 25 & 26
123 Eagle Street
BRISBANE QLD 4001
Telephone (07) 3308 7000
Facsimile (07) 3308 7001

Canberra

Level 2
St George Centre
60 Marcus Clarke Street
CANBERRA ACT 2600
Telephone (02) 6202 7000
Facsimile (02) 6202 7001

Darwin

5th Floor
62 Cavenagh Street
DARWIN NT 0800
Telephone (08) 8980 3000
Facsimile (08) 8980 3001

Hobart

Level 9
ANZ Centre
22 Elizabeth Street
HOBART TAS 7000
Telephone (03) 6237 7000
Facsimile (03) 6237 7001

Kalgoorlie

337B Hannan Street
KALGOORLIE WA 6430
Telephone (08) 9021 3633
Facsimile (08) 9021 4150

Katherine

1st Floor
42 Katherine Terrace
KATHERINE NT 0850
Telephone (08) 8972 1077
Facsimile (08) 8971 0256

Launceston

49-51 Elizabeth Street
LAUNCESTON TAS 7250
Telephone (03) 6337 7000
Facsimile (03) 6337 7001

Melbourne

505 Bourke Street
MELBOURNE VIC 3000
Telephone (03) 9208 7000
Facsimile (03) 9208 7001

Parramatta

Deloitte Touche Tohmatsu Building
10 Smith Street
PARRAMATTA NSW 2150
Telephone (02) 9840 7000
Facsimile (02) 9840 7001

Perth

Central Park
Level 16
152-158 St George Terrace
PERTH WA 6000
Telephone (08) 9365 7000
Facsimile (08) 9365 7001

Port Moresby

Level 12
Deloitte Tower
Douglas Street
PORT MORESBY PNG
Telephone (675) 308 7000
Facsimile (675) 308 7001

National Office

Grosvenor Place
225 George Street
SYDNEY NSW 2000
Telephone (02) 9322 7000
Facsimile (02) 9322 7001

or contact our website at *www.deloitte.com.au*

15th EDITION – April 2003

This document is of a general nature only and is not intended to be relied upon as, nor to be a substitute for, specific professional advice. No responsibility for loss occasioned to any person acting on or refraining from action as a result of any material in this publication can be accepted.

The liability of Deloitte Touche Tohmatsu is limited by, and to the extent of, the Accountants' Scheme under the Professional Standards Act 1994 (NSW).

Syd_04.03_02859

© Copyright – Deloitte Touche Tohmatsu, Australia 2003