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What's new for the December 2009 financial reporting cycle?

A high level overview of new and revised financial reporting requirements that need to be considered for financial reporting periods ending on 31 December 2009

Entities can use this listing to perform a quick check that all the new financial reporting requirements have been fully considered as part of their December reporting close process.

The information below was last updated on **16 October 2009** for developments to that date – we will update this page if any significant developments occur in the period to 31 March 2010.

What are the big picture issues for December 2009?

1. The 'next wave of IFRS'
2. Global financial crisis and financial reporting
3. Other considerations

1 The 'next wave of IFRS'

The December reporting season heralds the widespread adoption of a number of new pronouncements as part of the 'next wave' of IFRS for both annual and interim reports. The table below highlights the 'big picture' changes and their applicability to annual and half-year reports at December 2009:

Change	Annual reports	Half-year reports
New format and layout of financial statements (AASB 101)	Yes	Yes
New 'through the eyes of management' approach to disclosure of segment information for entities with instruments traded on the ASX or another public market (AASB 8). *Note: Entities without publicly traded securities are no longer required to disclose segment information*	Yes	Yes (disclosures specifically required by AASB 134)
New three-level 'hierarchy' disclosure of fair values and new requirements around liquidity risk	Yes	No
New requirements in accounting for business combinations and changes in ownership interests (AASB 3, AASB 127)	No	Yes (disclosures specifically required under AASB 134)
Mandatory capitalisation of borrowing costs for qualifying assets (AASB 123)	Yes	Yes
Changes in the nature of vesting conditions and accounting for cancellations of share-based payments (AASB 2)	Yes	Yes
Classification of certain puttable instruments and obligations arising on liquidation as equity (AASB 132)	Yes	Yes
Various recognition and measurement changes under annual improvements, other amending standards and Interpretations, impacting accounting in areas such as dividend recognition, intragroup restructures, real estate sales revenue, customer loyalty programmes and government grant accounting	Yes (varies)	Yes (varies)

2 Global financial crisis and financial reporting

Whereas the focus in recent times has been on such areas as impairment, fair values, debt classifications and disclosure, as the global economy begins to emerge from the global financial crisis, a new set of financial reporting considerations begin to come into play. Whilst difficult times are not behind us, the Australian economy has withstood the crisis with a surprising resilience.

Key financial reporting considerations arising from the global financial crisis for the current period include:

- **Impairment** – reassessment of cash flow forecasts and key variables, and considering whether previous impairment losses may need to be reversed (other than for goodwill and available for sale equity investments). The need for enhanced disclosure (including in interim reports if necessary) also needs to be considered
- **Financial instrument disclosures** – risk management strategies, sensitivity analysis, changes in fair values and other disclosures will need to be revisited, including for half-year reports if movements or impacts are material
- **Earnings per share (EPS)** – EPS may be affected by lower profits, discounted capital raisings and options and other convertible instruments coming 'into the money' as share prices increase
- **Discount and exchange rates** – continued volatility in key economic variables, combined with a change to a tightening bias from the Reserve Bank in relation to official interest rates, will continue to present challenges in the determination of discount and exchange rates used in impairment, provisions, employee benefits and other areas
- **Deferred tax assets** – consideration of whether these might be recognised where unanticipated improvement in business conditions leads to higher expected taxable profits in the future
- **Restructurings** – revised or cancelled plans in relation to restructurings may impact provisions recognised, impairment calculations and the classification of items as held for sale
- **Remuneration disclosures** – this area continues to be a hot issue with shareholders, analysts and politicians. The need for transparent and full disclosure remains important, particularly in light of the proposals for radical changes in this area
- **IASB response** – The IASB continues to make rapid changes in many areas and has signalled its intention to finalise part of its project to replace IAS 39 *Financial Instruments: Recognition and Measurement* before the end of calendar 2009 to allow for early adoption, which may be beneficial. Urgent changes to the classification of rights issues have been made and changes in relation to discount rates for employee liabilities are imminent. Other global financial crisis projects may also come to fruition in time for early adoption – including fair value measurement, derecognition, consolidation and other projects.

For more information on responding to the global financial crisis, visit our **Managing out of volatile times** resources.

3 Other considerations

The key considerations for December 2009 include:

- **Other IASB projects** – the IASB continues to actively pursue a number of projects proposing significant changes. Careful consideration of these impacts now can avoid challenges and maximise opportunities going forward, e.g. lease accounting (consider in lease negotiations), tax accounting (uncertainty in current year's tax returns), revenue recognition (impact on current accounting policies)
- **Carbon Pollution Reduction Scheme (CPRS)** – there will be financial reporting impacts in areas such as impairment, disclosure of uncertainties, hedging programs and provisions and contingent liabilities, particularly if the Federal Government is successful in enacting legislation prior to 31 December. More information can be found in **Accounting alert 2009/03**
- **Differential reporting** – the AASB is developing a revised differential reporting regime with a view to implementation at June 2010. The reporting entity concept is likely to be removed and replaced with a new second tier of reporting using full IFRS recognition and measurement requirements but with limited disclosures. Complimentary changes to the *Corporations Act 2001* are also likely. Whilst it may be unlikely that these changes will be available for adoption in the December reporting period, entities should closely monitor these developments in preparation for implementation in June – planning, systems, training and related issues will need to be considered.

For more detailed information and illustrative disclosures about these topics, refer to our **Illustrative financial reports** or our **global illustrative financial statements and checklists**.

IFRS-equivalent Standards
Domestic Standards
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What are the new and revised accounting pronouncements for December 2009?

The tables below outline the new and revised pronouncements that either are to be applied for the first time at 31 December 2009, or which may be early adopted at that date.

In the majority of cases, the disclosure requirements of the pronouncements listed in the tables below would not be applicable to half-year financial reports. However, where relevant, the recognition and measurement requirements of any relevant pronouncements would be applied where those pronouncements have been adopted by the entity.

As occurs so often with changes to accounting standards and financial reporting requirements, some of the other new or revised pronouncements listed in the tables below may have a substantial impact on particular entities.

Therefore, it is important that the pronouncements listed are carefully reviewed for any potential impacts or opportunities.

Where early adoption is being contemplated, it is important to address any necessary procedural requirements, e.g. for entities reporting under the *Corporations Act 2001*, appropriate director's resolutions for early adoption must be made under s.334(5). Disclosure in the financial statements must also be addressed.

In addition, the disclosure requirements required in relation to new and revised accounting pronouncements, as outlined on pages 20–21, need to be carefully considered even where they have not been adopted.

New or revised requirement	When effective	Applicability at 31 December 2009 to	
		Full years	Half years
New and revised IFRS-equivalent Standards			
AASB 101 *Presentation of Financial Statements* (revised September 2007), AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101* The main changes from the previous version of AASB 101 are to require that an entity must: • Present all non-owner changes in equity (comprehensive income) either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income may not be presented in the statement of changes in equity • Present an additional statement of financial position (balance sheet) as at the beginning of the earliest comparative period when the entity applies an accounting policy retrospectively, makes a retrospective restatement, or reclassifies items in its financial statements (this would generally mean that three balance sheets are presented in these circumstances) • Disclose income tax relating to each component of other comprehensive income • Disclose reclassification adjustments relating to components of other comprehensive income.	Applies to annual reporting periods beginning on or after 1 January 2009	Mandatory	Mandatory

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New or revised requirement	When effective	Applicability at 31 December 2009 to	
		Full years	Half years
AASB 101 *Presentation of Financial Statements* (revised September 2007), AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101 (continued)* In what many Australian constituents may consider a 'back to the future' change, AASB 101 amends the titles of financial statements as follows: • 'Balance sheet' will become 'statement of financial position' • 'Income statement' will become part of the 'statement of comprehensive income', unless a separate income statement is presented • 'Cash flow statement' will become 'statement of cash flows'. *Note: The AASB has released a revised version of AASB 1039 'Concise Financial Reports' to ensure consistency with this Standard. AASB 1049 has also been amended by AASB 2008-9 to achieve consistency with this version of AASB 101. See Domestic Standards below for more details.*			
AASB 123 Borrowing Costs* (revised), AASB 2007–6 *Amendments to Australian Accounting Standards arising from AASB 123 AASB 123 is equivalent to IAS 23 of the same name and eliminates the option of expensing borrowing costs related to qualifying assets, instead requiring capitalisation. Transitional provisions require prospective application to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after the application date. However, an entity may designate any date before the application date and apply the Standard to borrowing costs relating to all qualifying assets for which the commencement date for capitalisation is on or after that date. The Amending Standard eliminates reference to the expensing option in various other pronouncements. Note: See also *AASB 2009-1 Amendments to Australian Accounting Standards – Borrowing Costs of Not-for-Profit Public Sector Entities.*	Annual reporting periods beginning on or after 1 January 2009	Mandatory	Mandatory
AASB 1 *First-time Adoption of Australian Accounting Standards* (May 2009) A new version of AASB 1 resulting from the IASB's 2007 annual improvements process which retains the substance of the previous version, but within a changed structure to make it easier for the reader to understand and to better accommodate future changes.	Applies to an entity's first Australian-Accounting-Standards financial statements for reporting periods beginning on or after 1 July 2009	n/a (optional only for first-time adopters)	n/a (mandatory only for first-time adopters)

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<table>
<tr><th rowspan="2">New or revised requirement</th><th rowspan="2">When effective</th><th colspan="2">Applicability at 31 December 2009 to</th></tr>
<tr><th>Full years</th><th>Half years</th></tr>
<tr><td>AASB 3 Business Combinations (2008), AASB 127 Consolidated and Separate Financial Statements (2008), AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 and AASB 2008-11 Amendments to Australian Accounting Standard – Business Combinations Among Not-for-Profit Entities

Revised standards resulting from the joint IASB-FASB Business Combinations Phase II project, equivalent to revised IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements. Alters the manner in which business combinations and changes in ownership interests in subsidiaries are accounted for. There are also consequential amendments to other standards effected through AASB 2008-3, most notably AASB 128 Investments in Associates and AASB 131 Interests in Joint Ventures.

AASB 2008-11 confirms that business combinations involving not-for-profit entities are within the scope of AASB 3. This has the effect of requiring assets acquired in a merger of not-for-profit entities to be re-measured, normally at fair value, as at the date of the merger (with special rules for local governments).

Note: An entity early adopting AASB 3 (2008) must also apply the consequential amendments to AASB 2, AASB 138 and Interpretation 9 included in AASB 2009-4.</td><td>AASB 3 – applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009

AASB 127 – amendments generally apply prospectively to annual reporting periods beginning on or after 1 July 2009

AASB 2008-3 and AASB 2008-11 – applies to annual reporting periods beginning on or after 1 July 2009</td><td>Optional</td><td>Mandatory</td></tr>
<tr><td>AASB 8 Operating Segments, AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8

AASB 8 replaces AASB 114 Segment Reporting and introduces a new 'management approach' to segment reporting to align IFRS with US-GAAP. Unlike AASB 114, AASB 8 only applies to entities which have on issue any debt or equity securities that are traded in a public market (or which are in the process of issuing any class of instruments in a public market). Therefore, reporting entities that are out of scope of AASB 8 may wish to early adopt this Standard to avoid segment reporting in their financial reports.

The AASB has released a revised version of AASB 1039 'Concise Financial Reports' to ensure consistency with this Standard. See Domestic Standards below for more details.</td><td>Applies to annual reporting periods beginning on or after 1 January 2009</td><td>Mandatory</td><td>Mandatory (specific disclosures required in interim reports under AASB 134)</td></tr>
</table>

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New or revised requirement	When effective	Applicability at 31 December 2009 to	
		Full years	Half years
New or revised domestic standards			
AASB 1004 *Contributions* (revised) This Standard applies to not-for-profit entities (reporting entities and general purpose financial reports) and the financial statements of the General Government Sectors (prepared in accordance with AASB 1049). The revisions have the effect of relocating the requirements on contributions from AASs 27, 29 and 31, substantively unamended (with some exceptions), into AASB 1004.	Applies on a retrospective basis to annual reporting periods beginning on or after 1 July 2008	Mandatory	Already implemented
AASB 1039 *Concise Financial Reports* (revised) Revised AASB 1039 that incorporates changes in terminology and descriptions of the financial statements to achieve consistency with AASB 101 *Presentation of Financial Statements* (September 2007) and updates the segment disclosure requirements to be consistent with AASB 8 *Operating Segments*.	Applies to annual reporting periods beginning on or after 1 January 2009	Mandatory	Mandatory (at the full year)
AASB 1048 *Interpretation and Application of Standards* (March 2009) Updated version of this 'service standard' to provide a mandatory requirement to comply with Interpretations in the Australian context.	AASB 1048 applies to annual reporting periods ending on or after 31 March 2009 but contains specific application dates for each Interpretation (refer to Interpretations below)	Mandatory (refer to Interpretations below)	Mandatory (refer to Interpretations below)
AASB 1049 *Whole of Government and General Government Sector Financial Reporting* This Standard integrates GAAP/GFS harmonisation requirements for both GGS and whole of governments, combining the requirements of AASB 1049 *Financial Reporting of General Government Sectors by Governments* and the modified proposals from ED 155 *Financial Reporting by Whole of Governments*.	Applies to annual reporting periods beginning on or after 1 July 2008 and must be applied retrospectively within the context of AASB 1	Mandatory	Already implemented
AASB 1050 *Administered Items* This Standard only applies to general purpose financial statements of government departments. The main requirements are for a government department to disclose administered income, expenses, assets and liabilities (applying the principles of AASB 1052 *Disaggregated Disclosures*), along with details of certain non-department controlled transfers. Administered income, expenses, assets and liabilities are reported on the same basis adopted for the recognition of elements of financial statements.	Applies to annual reporting periods beginning on or after 1 July 2008	Mandatory	Already implemented

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New or revised requirement	When effective	Applicability at 31 December 2009 to	
		Full years	**Half years**
AASB 1051 *Land Under Roads* Applies to general purpose financial statements of local governments, government departments, GGSs and whole of governments. Requires land under roads acquired after the end of the first reporting period ending on or after 31 December 2007 to be accounted for under AASB 116 *Property, Plant and Equipment*, with transitional provisions for land acquired prior to that date.	Applies to annual reporting periods beginning on or after 1 July 2008	Mandatory	Already implemented
AASB 1052 *Disaggregated Disclosures* This Standard, which only applies to general purpose financial statements of local governments and government departments, specifies principles for reporting of financial information by function or activity by local governments and financial information about service costs and achievements by government departments.	Applies to annual reporting periods beginning on or after 1 July 2008	Mandatory	Already implemented
New amending standards The table below lists the Amending Standards that do not relate to the pronouncements listed in other tables.			
AASB 2007-9 *Amendments to Australian Accounting Standards arising from the Review of AAS 27, AAS 29 and AAS 31* Relocates certain relevant requirements from AASs 27, 29 and 31, substantively unamended, into existing topic-based standards. This Standard also makes consequential amendments, arising from the short-term review of AASs 27, 29 and 31, to AASB 5, AASB 8, AASB 101 and AASB 114.	Applicable to annual reporting periods beginning on or after 1 July 2008	Mandatory	Already implemented
AASB 2007-10 *Further Amendments to Australian Accounting Standards arising from AASB 101* This Amending Standard changes the term 'general purpose financial report' to 'general purpose financial statements' and the term 'financial report' to 'financial statements', where relevant, in Australian Accounting Standards (including Interpretations) to better align with IFRS terminology.	Applies to annual reporting periods beginning on or after 1 January 2009	Mandatory	Mandatory

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New or revised requirement	When effective	Applicability at 31 December 2009 to	
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AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations* Amends AASB 2 *Share-based Payment* to introduce equivalent amendments made to IFRS 2 *Share-based Payment* by the IASB to: • Clarify that vesting conditions are those conditions that determine whether the entity receives the services that result in the counterparty's entitlement • Restrict the definition of vesting conditions to include only service conditions and performance conditions • Amend the definition of performance conditions to require the completion of a service period in addition to specified performance targets • Specify that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.	Applies retrospectively to annual reporting periods beginning on or after 1 January 2009	Mandatory	Mandatory
AASB 2008-2 *Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation* Amends AASB 132 *Financial Instruments: Presentation* and AASB 101 *Presentation of Financial Statements* to introduce requirements equivalent to the IASB's amendments regarding puttable financial instruments and obligations arising on liquidation. The amendments permit certain puttable financial instruments and instruments (or components of instruments) that impose on the entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met.	Applies retrospectively to annual reporting periods beginning on or after 1 January 2009	Mandatory	Mandatory
AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* Makes amendments to 25 different Standards and is equivalent to the IASB Standard *Improvements to IFRSs* issued in May 2008. The amendments largely clarify the required accounting treatment where previous practice had varied, although some new or changed requirements are introduced. Topics include below market interest-rate government loans, accounting for advertising and promotional expenditure, investment property under construction and the reclassification to inventories of property, plant and equipment previously held for rental when the assets cease to be rented and are held for sale.	Applies retrospectively (with some exceptions) to annual reporting periods beginning on or after 1 January 2009	Mandatory	Mandatory

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		Full years	Half years
AASB 2008-6 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* Makes amendments to Australian Accounting Standards AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* and AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* to include requirements relating to a sale plan involving the loss of control of a subsidiary. The amendments require all the assets and liabilities of such a subsidiary to be classified as held for sale and clarify the disclosures required when the subsidiary is part of a disposal group that meets the definition of a discontinued operation. *Note: The amendments cannot be early adopted for annual reporting periods beginning before 1 July 2009 unless AASB 127 'Consolidated and Separate Financial Statements' (as amended by AASB 2008-5 in July 2008) is also applied.*	Applies retrospectively to annual reporting periods beginning on or after 1 July 2009	Optional	Mandatory
AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* This Amending Standard: • Amends AASB 127 *Consolidated and Separate Financial Statements* to remove the definition of the 'cost method' and to require the separate financial statements of a new parent formed as the result of a specific type of reorganisation to measure the cost of its investment in the previous parent at the carrying amount of its share of the equity items of the previous parent at the date of the reorganisation • Removes from AASB 118 *Revenue* the requirement to deduct dividends declared out of pre-acquisition profits from the cost of an investment in a subsidiary, jointly controlled entity or associate accounted for under the cost method. Therefore, all dividends from a subsidiary, jointly controlled entity or associate are recognised by the investor as income • Implements consequential amendments to AASB 136 *Impairment of Assets*, introducing a new indicator of impairment for investments in subsidiaries, jointly controlled entities and associates where a dividend has been recognised • Allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous GAAP to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements.	Applies prospectively for annual reporting periods beginning on or after 1 January 2009	Mandatory	Mandatory

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		Full years	Half years
AASB 2008-8 *Amendments to Australian Accounting Standards – Eligible Hedged Items* Clarifies the hedge accounting provisions of AASB 139 *Financial Instruments: Recognition and Measurement* to address: • Inflation in a financial hedged item – inflation may only be hedged if changes in inflation are a contractually specified portion of cash flows of a recognised financial instrument • A one-sided risk in a hedged item – the amendments make clear that the intrinsic value, not the time value, of an option reflects a one-sided risk and, therefore, an option designated in its entirety cannot be perfectly effective.	Applies retrospectively to annual reporting periods beginning on or after 1 July 2009	Optional	Mandatory
AASB 2008-9 *Amendments to AASB 1049 for consistency with AASB 101* Amends AASB 1049 *Whole of Government and General Government Sector Financial Reporting* to reflect the revised requirements in AASB 101 (September 2007), including presenting a whole of government and GGS statement of changes in equity, and using AASB 101 terminology. Also clarifies the government operating statement requirements and the budgeted information disclosure requirements.	Applies to annual reporting periods beginning on or after 1 January 2009	Mandatory	Mandatory

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New or revised requirement	When effective	Applicability at 31 December 2009 to	
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AASB 2008-10 *Amendments to Australian Accounting Standards – Reclassification of Financial Assets*, AASB 2008-12 *Amendments to Australian Accounting Standards – Reclassification of Financial Assets – Effective Date and Transition* and AASB 2009-3 *Amendments to Australian Accounting Standards – Embedded Derivatives* Amends the reclassification requirements of AASB 139 *Financial Instruments: Recognition and Measurement* to permit an entity to: • Reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances • Transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available for sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. Also introduces new disclosure requirements into AASB 7 *Financial Instruments: Disclosures* for items that have been reclassified. AASB 2009-3 amends Interpretation 9 and AASB 139 to clarify that on reclassification of a financial asset out of the 'fair value through profit or loss' category, all embedded derivatives in the reclassified instrument have to be assessed and, if necessary, separately accounted for in financial statements. *Note: An entity cannot reclassify a financial asset before 1 July 2008. Any reclassification of a financial asset made on or after 1 November 2008 can take effect only from the date when the reclassification is made.*	**AASB 2008-10** and **AASB 2008-12** – the amendments to AASB 139 and AASB 7 apply from 1 July 2008 *(see note in previous column regarding reclassifications)* **AASB 2009-3** – amendments to Interpretation 9 and AASB 139 apply retrospectively and are effective for annual periods ending on or after 30 June 2009	Mandatory	Already implemented
AASB 2009-1 *Amendments to Australian Accounting Standards – Borrowing Costs of Not-for-Profit Public Sector Entities* Amends AASB 123 *Borrowing Costs* to reintroduce the option to allow public sector not-for-profit entities to expense all borrowing costs.	Applies to annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009	Mandatory	Mandatory

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New or revised requirement	When effective	Applicability at 31 December 2009 to: Full years	Half years
AASB 2009-2 *Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments* Amends AASB 7 *Financial Instruments: Disclosures* to require enhanced disclosures about fair value measurements and liquidity risk. Among other things, the amendments: • Clarify that the existing AASB 7 fair value disclosures must be made separately for each class of financial instrument • Add disclosure of any change in the method for determining fair value and the reasons for the change • Establish a three-level hierarchy for making fair value measurements used in the disclosures • Clarify that the current maturity analysis for non-derivative financial instruments should include issued financial guarantee contracts and disclosure of a maturity analysis for derivative financial liabilities. Comparative information is not required to be provided in the first year the amendments are applied.	Applies to annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009	Mandatory	Mandatory (at the full year)
AASB 2009-4 *Amendments to Australian Accounting Standards arising from the Annual Improvements Process* Introduces amendments into Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are technical changes to other pronouncements as the result of the issue of AASB 3 *Business Combinations (2008)*, to align the scope of the pronouncements or to implement other consequential amendments. A further amendment changes the restriction in Interpretation 16 *Hedges of a Net Investment in a Foreign Operation* on the entity that can hold hedging instruments. *Note: An entity early adopting AASB 3 (2008) must also apply the consequential amendments to AASB 2, AASB 138 and Interpretation 9 included in AASB 2009-4.*	Applies to annual reporting periods beginning on or after 1 July 2009	Optional	Mandatory

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AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process* Introduces amendments into Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are largely technical, clarifying particular terms, or eliminating unintended consequences. Other changes are more substantial, such as the current/non-current classification of convertible instruments, the classification of expenditures on unrecognised assets in the statement of cash flows and the classification of leases of land and buildings. *Note: The amendments made to the guidance to AASB 118 'Revenue' regarding determining whether an entity is acting as agent or principal have no explicit application date and we understand that they are taken to be immediately applicable.*	Applies to annual reporting periods beginning on or after 1 January 2010 (see note in previous column regarding guidance in AASB 118)	Optional	Optional
AASB 2009-6 *Amendments to Australian Accounting Standards* and Erratum *General Terminology Changes* (October 2009) This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also makes additional amendments as a consequence of the issuance in September 2007 of a revised AASB 101. The Erratum makes a number of additional terminology-related and editorial changes. These amendments have no major impact on the requirements of the amended pronouncements.	Applies to annual reporting periods beginning on or after 1 January 2009 that end on or after 30 June 2009	Mandatory	Mandatory
AASB 2009-7 *Amendments to Australian Accounting Standards* This Standard makes amendments to AASB 5, AASB 7, AASB 139 and Interpretation 17 to correct errors that occurred in AASB 2008-12 *Amendments to Australian Accounting Standards Reclassification of Financial Assets Effective Date and Transition, AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17 Distributions of Non-cash Assets to Owners* and Interpretation 17 itself. The other amendments reflect changes made by the IASB to its pronouncements. These editorial amendments have no major impact on the requirements of the amended pronouncements.	Applies to annual reporting periods beginning on or after 1 July 2009	Optional	Mandatory

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New or revised requirement	When effective	Applicability at 31 December 2009 to	
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AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions* Amends AASB 2 *Share-based Payment* to clarify the accounting for group cash-settled share-based payment transactions. An entity receiving goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendments to AASB 2 also incorporate guidance previously included in Interpretation 8 *Scope of AASB 2* and Interpretation *11 AASB 2 – Group and Treasury Share Transactions* and as a consequence these two Interpretations are superseded by the amendments.	Applies to annual periods beginning on or after 1 January 2010 and must be applied retrospectively.	Optional	Optional
New and revised Interpretations			
Interpretation 13 *Customer Loyalty Programmes* Requires customer loyalty awards (e.g. points, free goods or services, future discounts) to be treated as a separately identifiable component of the sales transactions in which they are granted. The fair value of the consideration received or receivable from the initial sale must be allocated on a fair value basis between the good or service provided and the loyalty award, with the loyalty amount deferred until it is redeemed, cancelled or expires.	Applies retrospectively to annual reporting periods beginning on or after 1 July 2008	Mandatory	Already implemented
Interpretation 15 *Agreements for the Construction of Real Estate* Addresses the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, specifically two (related) issues: • Determining whether an agreement for the construction of real estate is within the scope of AASB 111 *Construction Contracts* or AASB 118 *Revenue* • When revenue from the construction of real estate should be recognised.	Applies retrospectively to annual reporting periods beginning on or after 1 January 2009	Mandatory	Mandatory
Interpretation 16 *Hedges of a Net Investment in a Foreign Operation* Provides guidance on net investment hedging, including: • Which foreign currency risks qualify for hedge accounting, and what amount can be designated • Where within the group the hedging instrument can be held • What amount should be reclassified to profit or loss when the hedged foreign operation is disposed of. *Note: AASB 2009-4 amends this Interpretation to remove restrictions on the entity that can hold hedging instruments in the hedge relationship.*	Applies prospectively to annual reporting periods beginning on or after 1 October 2008	Mandatory	Mandatory

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<table>
<tr><th rowspan="2">New or revised requirement</th><th rowspan="2">When effective</th><th colspan="2">Applicability at 31 December 2009 to</th></tr>
<tr><th>Full years</th><th>Half years</th></tr>
<tr><td>Interpretation 17 Distributions of Non-Cash Assets to Owners and AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17 Distributions of Non-Cash Assets to Owners
Requires:
• A dividend payable to be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity
• An entity to measure the dividend payable at the fair value of the net assets to be distributed
• An entity to recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss
• An entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation.
AASB 2008-13 makes consequential amendments to AASB 5 Non-current Assets Held for Sale and Discontinued Operations and AASB 110 Events After the Reporting Period.
Note: An entity early adopting Interpretation 17 must also apply AASB 3(2008), AASB 127(2008) and AASB 5 (as amended by AASB 2008-13).</td><td>Applies prospectively to annual reporting periods beginning on or after 1 July 2009</td><td>Optional (see note regarding early adoption)</td><td>Mandatory</td></tr>
<tr><td>Interpretation 18 Transfers of Assets from Customers
The Interpretation clarifies the accounting for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water).
The key requirements of the Interpretation include:
• An asset is only recognised where it meets the definition of an asset in the Framework
• Transferred assets that meet the definition of an asset are initially recognised at fair value
• Revenue arising from the recognition of the transferred assets is recognised in accordance with the requirements of AASB 118 Revenue. Revenue may involve one or more services in exchange for the transferred item, such as connecting the customer to a network, providing the customer with ongoing access to a supply of goods or services, or both.
Note: Earlier application of Interpretation 18 is permitted provided the valuations and other information needed to apply the Interpretation to past transfers were obtained at the time those transfers occurred.</td><td>Applies to transfers of assets from customers received on or after 1 July 2009</td><td>Mandatory for all transfers received after 1 July 2009 (see note regarding early adoption)</td><td>Mandatory for all transfers received after 1 July 2009 (see note regarding early adoption)</td></tr>
</table>

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New or revised requirement	When effective	Applicability at 31 December 2009 to	
		Full years	Half years
Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* (revised) This revised Interpretation differs from UIG Interpretation 1038 in that it does not apply to government controlled not-for-profit entities or for-profit government departments in respect of a restructure of administrative arrangements. This Interpretation has also been updated for changes as a result of AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101*.	Applies to annual reporting periods beginning on or after 1 July 2008	Mandatory	Already implemented
Pronouncements approved by the IASB/IFRIC where an equivalent pronouncement has not been issued by the AASB			
International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) This Standard provides an alternative framework that can be applied by eligible entities in place of the full set of International Financial Reporting Standards (IFRSs) on issue. The *IFRS for SMEs* is a self-contained Standard, incorporating accounting principles that are based on full IFRSs but that have been simplified to suit the entities within its scope (known as SMEs). By removing some accounting treatments permitted under full IFRSs, eliminating topics and disclosure requirements that are not generally relevant to SMEs, and simplifying requirements for recognition and measurement, the *IFRS for SMEs* reduces the volume of accounting requirements applicable to SMEs by more than 90 per cent when compared with the full set of IFRSs.	The IASB has not set an effective date for the Standard because the decision as to whether to adopt the *IFRS for SMEs* (and also, therefore, the timing for adoption) is a matter for each jurisdiction	The AASB has tentatively decided **not** to implement the *IFRS for SMEs* in the Australian context at this time	The AASB has tentatively decided **not** to implement the *IFRS for SMEs* in the Australian context at this time
Additional Exemptions for First-time Adopters – Amendments to IFRS 1 Provides additional exemptions and modifications on transition to IFRS in relation to certain oil and gas assets in development or production, decommissioning, restoration and similar liabilities related to those assets, and IFRIC 4 assessments made under equivalent requirements of pre-transition GAAP. *Note: The AASB approved AASB 2009-9 'Amendments to Australian Accounting Standards – Additional Exemptions for First-time Adopters' at its September 2009 meeting. This Amending Standard is not yet publicly available.*	Applies to an entity's first IFRS financial statements that are for a period beginning on or after 1 January 2010.	n/a (optional only for first-time adopters once an equivalent amendment is made by the AASB)	n/a (optional only for first-time adopters once an equivalent amendment is made by the AASB)
Classification of Rights Issues – Amendment to IAS 32 Amends IAS 32 *Financial Instruments*: *Presentation* to require a financial instrument that gives the holder the right to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as an equity instrument if, and only if, the entity offers the financial instrument pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.Before this amendment, rights issues (rights, options, or warrants) denominated in a currency other than the functional currency of the issuer were accounted for as derivative liabilities.	Applies to annual periods beginning on or after 1 February 2010	Optional (once an equivalent pronouncement is issued by the AASB)	Optional (once an equivalent pronouncement is issued by the AASB)

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Corporations Act 2001 developments

The following developments related to the *Corporations Act 2001* during the last 12 months have direct or indirect impacts on financial reporting:

Development	When effective
ASIC Regulatory Guide 43 Financial reports and audit relief ASIC has reissued this regulatory guide (also known as Policy Statement 43) based on legislation and regulations as at 9 October 2008. The guide explains how ASIC may exercise its powers to grant relief from the financial reporting and audit requirements of Pt 2M.2, 2M.3 and 2M.4 (other than Div 4) of the *Corporations Act 2001*.	Reissued and updated 9 October 2008
ASIC Class Order [CO 09/626] *Financial reporting relief – changes to notice lodging* Implements changes to form-lodging arrangements for companies wishing to take advantage of relief under Class Order 98/98 *Small proprietary companies which are controlled by a foreign company but which are not part of a large group* and Class Order 98/1418 *Wholly-owned entities*. The changes mean that companies relying on relief in [CO 98/98] will be able to lodge opt-in and opt-out forms at any time during a 19-month period commencing three months before the start of the relevant financial year and ending four months after the end of the financial year.	Effective 11 August 2009 (date of registration)

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Other developments

The following are other developments that may have direct or indirect impacts on financial reporting:

- In late June 2009, ASIC released a press release announcing its areas of focus for the June financial reporting season, including going concern, impairment, fair value measurements, off balance sheet arrangements, financial instrument disclosures and other matters. ASIC's focus at December 2009 is likely to cover similar topics. The June media release is available **from the ASIC website**
- In mid-March 2009, guidance was issued by The Australian Institute of Company Directors (AICD) and Financial Services Institute of Australia (Finsia) in relation to 'non-statutory profit' disclosures to the market. Concern had been raised about widespread use of different 'non-statutory profit' disclosures, which nonetheless can be valuable information for users of financial information disclosed to the market.

The AICD and Finsia guidance seeks to encourage companies to disclose any non-statutory measure of profit in a responsible and consistent manner. The press release is available at **www.companydirectors.com.au**. Key aspects of the guidance include:

- The recommendation that any non-statutory measure of profit disclosed be termed 'underlying profit'
- The establishment of seven principles to reporting underlying profit, including a principle that 'underlying profit' be reconciled to net profit after tax (NPAT) included in statutory financial reports
- Examples of the common items that adjust NPAT to arrive at underlying profit
- A suggestion that companies following the guidance should disclose that fact.

Shedding light on the disclosures required

Understanding the disclosure requirements for new or revised accounting pronouncements

IFRS requires disclosures in relation to all the new or revised Accounting Standards and Interpretations that have had or may have a material impact on the annual financial report of the entity, whether they have been adopted or not. The requirements for interim financial reports are less onerous but must still be considered.

Here, we shed some light on these disclosure requirements, answering the following commonly asked questions:

- What accounting pronouncements require these disclosures?
- Are non-reporting entities required to make the disclosures?
- What disclosures are required in annual financial reports?
- What disclosures are required in interim financial reports?
- Do the annual disclosures extend to the effects of Interpretations that have not been adopted?
- Do the annual disclosures extend to pronouncements issued by the IASB/IFRIC where an equivalent Australian pronouncement has not been made by the AASB at the date of signing the financial report?

What accounting pronouncements require these disclosures?

The disclosure requirements surrounding new or revised accounting pronouncements are specified by:

- For annual reporting periods – AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*
- For interim reporting periods – AASB 134 *Interim Financial Reporting*.

Are non-reporting entities required to make these disclosures?

It depends on the nature of the entity:

- all entities that prepare financial reports under the *Corporations Act 2001* are required to make these disclosures, regardless of whether they are a reporting entity or not
- other entities are only required to make these disclosures if they are a reporting entity or produce general purpose financial reports.

Therefore, only non-reporting entities that are not preparing financial reports under the *Corporations Act 2001* can avoid these disclosures. In any case, to ensure that the financial report is presented fairly, these entities may wish to include certain disclosures about any material effects of new or revised accounting pronouncements.

What disclosures are required in annual financial reports?

The following table outlines the disclosures required in annual financial reports:

Applicability of new or revised pronouncement	Summary of disclosures required in annual financial report
Initial mandatory or voluntary application of a new or revised pronouncement	As required by paragraph 28 of AASB 108. Disclosures include the relevant pronouncement, the nature of the change in accounting policy, details of any transitional provisions, line-by-line analysis of the effect of the change in policy on the financial statements and the impacts on earnings per share.
Pronouncement on issue but not adopted	As required by paragraphs 30-31 of AASB 108. The financial report must disclose which pronouncements have been issued but not adopted in the financial report, when the pronouncements have mandatory application, when those pronouncements are going to be applied by the entity and the possible impact on the entity's financial report (where known or reasonably estimable).

Example disclosures of the above requirements can be found in our illustrative financial reports, available at **www.deloitte.com.au**.

What disclosures are required in interim financial reports?

Paragraph 16(a) of AASB 134 requires disclosure in interim financial reports of the nature and effect of any change in accounting policy compared with the most recent annual financial report.

AASB 134 does not specify the level of detail of the disclosures required, and accordingly the level of detail may be less than is presented in an annual financial report in accordance with AASB 108. However, best practice might suggest that the requirements of AASB 108 be used as a guide.

The impacts of new or revised accounting pronouncements that have not been early adopted are not explicitly required to be disclosed in interim financial reports. Entities should consider making additional disclosures where the effects of these pronouncements are expected to be material and those effects have not been previously been disclosed in the prior annual financial report.

Example disclosures of the above requirements can be found in our illustrative financial reports.

Do the annual disclosures extend to the effects of Interpretations that have not been adopted?

Yes.

Due to legal restrictions, the application of an Australian Interpretation in the preparation of a financial report is mandated through the 'service standard', AASB 1048 *Interpretation and Application of Standards.* AASB 1048 is reissued on a periodic basis as new Interpretations are made and includes a listing of all Australian Interpretations on issue and their application date.

Accordingly, entities are required to disclose the impacts of the application of any version of AASB 1048 which is not yet effective (and which has not been early adopted). The disclosures made about AASB 1048 include the Australian Interpretations listed in that Standard that have not been applied in the preparation of the financial report.

Deciding on the early adoption of Interpretations

Interpretations that merely interpret the requirements of existing Standards are often considered best practice and so would ordinarily be adopted at an entity's next reporting date.

Other Interpretations that effectively introduce new recognition and measurement requirements not explicitly covered under existing Standards might not ordinarily be early adopted, particularly where they change established industry practice and/or require substantial effort to implement.

Accordingly, where an Interpretation is on issue but is not yet mandatory, entities should carefully consider the requirements of each Interpretation and its potential impacts when making a decision whether early adoption is appropriate.

Do the annual disclosures extend to pronouncements issued by the IASB/IFRIC where an equivalent Australian pronouncement has not been made by the AASB at the date of signing the financial report?

Yes.

Although not technically required by paragraph 30 of AASB 108, for-profit entities should consider disclosing the information required by that paragraph (where material) in relation to a Standard or Interpretation issued by the IASB/IFRIC where an equivalent Australian Standard or Interpretation has not been made by the AASB at the date of signing the financial report. This approach ensures that the entity can make an unreserved statement of compliance with IFRS as required by paragraph 14 of AASB 101 *Presentation of Financial Statements.*

Example disclosures

The following wording, amended from the wording in our illustrative financial reports, may be adapted in these circumstances:

'At the date of authorisation of the financial report, the following Standards and Interpretations, including those Standards or Interpretations issued by the IASB/IFRIC where an equivalent Australian Standard or Interpretation has not been made by the AASB, were on issue but not yet effective:'

Where this wording is utilised, the relevant IASB/IFRIC Standards and Interpretations should be cited by their IASB or IFRIC references and names, e.g. IFRIC X, IFRS Y, etc. Any Standards and Interpretations already issued by the AASB should be cited by their Australian references and names.

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