

ACCOUNTING STANDARD

AASB 2004-3

December 2004

Amendments to Australian Accounting Standards



Australian Government

**Australian Accounting
Standards Board**

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Australian Accounting Standard AASB 2004-3 <i>Amendments to Australian Accounting Standards</i> is set out in paragraphs 1 – 12. All the paragraphs have equal authority.

PREFACE

Standards Amended by AASB 2004-3

This Standard makes consequential amendments to the following Australian Accounting Standards:

- (a) AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*;
- (b) AASB 101 *Presentation of Financial Statements*; and
- (c) AASB 124 *Related Party Disclosures*.

The amendments arise from the release of the revised AASB 119 *Employee Benefits* in December 2004, which is the Australian equivalent to IAS 19 *Employee Benefits*, as amended by *Amendments to IAS 19 Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures* in December 2004. The amendments are consistent with those made by the IASB to other International Financial Reporting Standards (IFRSs) and the requirements which the AASB had removed from the Australian equivalent of IFRS 1 *First-time Adoption of International Financial Reporting Standards* concerning the “corridor approach” to account for defined benefit plans and which are now relevant in the revised AASB 119.

For-profit entities that comply with the requirements of these Australian Accounting Standards, as amended by this Standard, will simultaneously be in compliance with the requirements of the corresponding IFRSs, being IFRS 1, IAS 1 *Presentation of Financial Statements* and IAS 24 *Related Party Disclosures*. The ability of not-for-profit entities to be able to claim compliance with International Financial Reporting Standards is not affected by the amendments made by this Standard, but is dependent on whether the entity has applied “Aus” paragraphs in AASB 1, AASB 101 or AASB 124 when those paragraphs are inconsistent with the requirements of the corresponding IFRSs.

Application Date

The application date of this Standard is linked to the application date of AASB 119 as issued in December 2004. Accordingly, this Standard is applicable to annual reporting periods beginning on or after 1 January 2006. When an entity early adopts AASB 119 as issued in December 2004 for annual reporting periods beginning on or after 1 January 2005, this Standard is also applied for that earlier period.

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The Australian Accounting Standards Board makes Accounting Standard AASB 2004-3 *Amendments to Australian Accounting Standards* under section 334 of the *Corporations Act 2001*.

Dated 22 December 2004

D.G. Boymal
Chair – AASB

ACCOUNTING STANDARD AASB 2004-3 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS

Objective

1. The objective of this Standard is to make amendments to other Australian Accounting Standards as a consequence of the release of AASB 119 *Employee Benefits* as issued in December 2004.

Application

2. In respect of AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* and AASB 124 *Related Party Disclosures*, this Standard applies to:
 - (a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the *Corporations Act* and that is a reporting entity;
 - (b) general purpose financial reports of each other reporting entity; and
 - (c) financial reports that are, or are held out to be, general purpose financial reports.
3. In respect of AASB 101 *Presentation of Financial Reports*, this Standard applies to:
 - (a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the *Corporations Act*;

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- (b) general purpose financial reports of each reporting entity;
and
 - (c) financial reports that are, or are held out to be, general
purpose financial reports.
4. This Standard applies to annual reporting periods beginning on or
after 1 January 2006.
 5. This Standard may be applied to annual reporting periods
beginning on or after 1 January 2005 only when AASB 119 as
issued in December 2004 is also applied for the same annual
reporting period. An entity that is required to prepare financial
reports in accordance with Part 2M.3 of the Corporations Act may
apply this Standard to annual reporting periods beginning on or
after 1 January 2005, when an election has been made in
accordance with subsection 334(5) of the Corporations Act.
 6. When an entity early adopts AASB 119 as issued in December
2004, this Standard shall be applied for that earlier period.
 7. Notice of this Standard was published in the *Commonwealth of
Australia Gazette* No S 537, 22 December 2004 and No S 559,
23 December 2004.

Amendments arising from AASB 119

8. AASB 101 is amended as described below.

Paragraph 96 is amended to read as follows:

- 96. An entity shall present a statement of changes in equity
showing on the face of the statement:**

(a) ...

...

(d) ...

**A statement of changes in equity that comprises only these
items shall be titled a statement of recognised income and
expense.**

In Part C “Illustrative Statement of Changes in Equity Structure” of the
Appendix, the following amendments are made:

In the illustrative statement, “Statement of Changes in Equity” is amended to “Statement of recognised income and expense”.

The following line is added to the illustrative statement of recognised income and expense after the line “Exchange differences on translation of foreign operation”:

Actuarial gains (losses) on defined benefit plans	X	(X)	X	(X)
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9. The amendments made by paragraph 8 mandate that the title “statement of recognised income and expense” be used for the statement of changes in equity when the statement comprises only items listed in paragraph 96 of AASB 101. The amendments also include an illustrative example of the disclosure of the actuarial gains or losses associated with defined benefit plans in the statement of recognised income and expense when applying the “direct to retained earnings” option. Part C “Statement of Changes in Equity” of the Australian Implementation Guidance accompanying AASB 101 will also insert the following line after the line “Restated balance” in the reconciliation of opening and closing retained earnings in “Example 1 – Note 14 – Movements in Equity” to illustrate the disclosure when applying the “direct to retained earnings” option:

Actuarial gains (losses) on defined benefit plans recognised directly in retained earnings	X	(X)	X	(X)
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10. In AASB 124 *Related Party Disclosures*, paragraph 20 is amended to read as follows:
 20. The following are examples of transactions that are disclosed if they are with a related party:
 - (a) ...
 - ...
 - (i) ...

Participation by a parent or subsidiary in a defined benefit plan that shares risks between group entities is a transaction between related parties (see paragraph 34B of AASB 119 as issued in December 2004).

11. Paragraphs 13(c), 20 and 20A are added to AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, as follows:
 13. An entity may elect to use one or more of the following exemptions:

...

(c) employee benefits (paragraphs 20 and 20A);

...
 20. Under AASB 119 *Employee Benefits* as issued in December 2004, an entity may elect to use a 'corridor' approach that leaves some actuarial gains and losses unrecognised. Retrospective application of this approach requires an entity to split the cumulative actuarial gains and losses from the inception of the plan until the date of transition to Australian equivalents to IFRSs into a recognised portion and an unrecognised portion. However, a first-time adopter may elect to recognise all cumulative actuarial gains and losses at the date of transition to Australian equivalents to IFRSs, even if it uses the corridor approach for later actuarial gains and losses. If a first-time adopter uses this election, it shall apply it to all plans.
 - 20A. An entity may disclose the amounts required by AASB 119 as issued in December 2004 paragraph 120A(p) as the amounts are determined for each annual reporting period prospectively from the transition date.
12. The following paragraph is amended in the Implementation Guidance accompanying AASB 1:

IG18. At the date of transition to Australian equivalents to IFRSs, an entity applies AASB 119 as issued in July 2004 or may early adopt AASB 119 as issued in December 2004 in measuring net employee benefit assets or liabilities under defined benefit plans, but it may elect to recognise all cumulative actuarial gains or losses from the inception of the plan until the date of transition to Australian equivalents to IFRSs even if its accounting policy under AASB 119 as issued in December 2004 will involve leaving some later actuarial gains and losses unrecognised (paragraph 20 of AASB 1). The transitional provisions in AASB 119 as issued in December 2004 do not apply to an entity's opening Australian-equivalents-to-IFRSs balance sheet (paragraph 9 of the Standard).