

Amendments to Australian Accounting Standards – Reduced Disclosure Requirements and Other Amendments

[AASB 1, AASB 2, AASB 8, AASB 10, AASB 107, AASB 128, AASB 133, AASB 134 & AASB 2011-4]



Australian Government

**Australian Accounting
Standards Board**

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ISSN 1036-4803

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ACCOUNTING STANDARD

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Australian Accounting Standard AASB 2012-11 *Amendments to Australian Accounting Standards – Reduced Disclosure Requirements and Other Amendments* is set out in paragraphs 1 – 21. All the paragraphs have equal authority.

PREFACE

Introduction

This Standard makes amendments to the Australian Accounting Standards listed in paragraph 1 of the Standard.

The amendments made by this Standard to existing reduced disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements arise from editorial corrections. The corrections to AASB 1 *First-time Adoption of Australian Accounting Standards* result in part from the proposals that were included in Tier 2 Supplement to ED 206 *Severe Hyperinflation*.

The amendments to AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* extend relief from consolidation and the equity method for entities complying with Australian Accounting Standards – Reduced Disclosure Requirements. These amendments reflect those made previously to now-superseded Standards in AASB 2011-6 *Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements*.

The editorial correction to AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* ensures that AASB 124 *Related Party Disclosures* has the same wording for all entities required to apply that Standard. The correction does not change any of the requirements.

Main Features of this Standard

Reduced Disclosure Requirements

The Standard makes various editorial corrections to Australian Accounting Standards – Reduced Disclosure Requirements (Tier 2). These corrections ensure that the Standards reflect decisions of the AASB regarding the Tier 2 requirements. For example, Tier 2 entities are required to comply with the disclosure requirements in paragraph 31C of AASB 1 concerning severe hyperinflation, when they are relevant. Consequently, paragraph Aus1.6 of AASB 1 is amended so that it does not include paragraph 31C as a paragraph that does not apply to Tier 2 entities.

Extending Relief from Consolidation and the Equity Method

Paragraph 4(a) of AASB 10 provides relief from preparing consolidated financial statements if the parent entity meets all the following conditions:

- (i) it is a wholly-owned subsidiary or is a partially-owned subsidiary of another entity and all its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not presenting consolidated financial statements;
- (ii) its debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);
- (iii) it did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; and
- (iv) its ultimate or any intermediate parent produces consolidated financial statements that are available for public use and comply with International Financial Reporting Standards (IFRSs).

A similar option is available in paragraph 17 of AASB 128 for entities to obtain relief from applying the equity method of accounting when accounting for investments in associates or joint ventures.

AASB 10 and AASB 128 also provide relief where the parent, investor or joint venturer and the ultimate or intermediate parent are both not-for-profit entities and therefore might not have complied with IFRSs.

With the introduction of the Australian Accounting Standards – Reduced Disclosure Requirements, ultimate or intermediate parents applying Tier 2 reporting requirements are not able to produce financial statements that are IFRS compliant. In these circumstances, relief from consolidation and the equity method is not available under the existing AASB 10 and AASB 128 requirements without the amendments in this Standard.

The AASB considers that the relief from consolidation and the equity method should also be available when the parent, investor or joint venturer:

- (a) is an entity complying with Australian Accounting Standards – Reduced Disclosure Requirements;
- (b) has an ultimate or intermediate parent that prepares consolidated financial statements in accordance with Australian Accounting Standards (even as a not-for-profit entity) or with Australian Accounting Standards – Reduced Disclosure Requirements; and
- (c) meets the criteria in paragraphs 4(a)(i) to 4(a)(iii) of AASB 10 or paragraphs 17(a) to 17(c) of AASB 128.

Accordingly, this Standard extends the relief from consolidation and the equity method by removing the requirement for the consolidated financial statements prepared by the ultimate or any intermediate parent to be IFRS compliant in those circumstances.

This approach is based on the view that financial statement users would be able to satisfy their information needs through the consolidated financial statements prepared by the parent higher up in the group.

Application Date

This Standard applies to annual reporting periods beginning on or after 1 July 2013.

This Standard may be applied to annual reporting periods beginning on or after 1 July 2009 but before 1 July 2013, provided that AASB 1053 *Application of Tiers of Australian Accounting Standards* is also applied for the same period. The date limitation on early application reflects the limitation on the early application of the reduced disclosure requirements under AASB 1053.

The amendment to AASB 2011-4 cannot be applied early because that Standard cannot be applied early.

ACCOUNTING STANDARD AASB 2012-11

The Australian Accounting Standards Board makes Accounting Standard AASB 2012-11 *Amendments to Australian Accounting Standards – Reduced Disclosure Requirements and Other Amendments* under section 334 of the *Corporations Act 2001*.

Dated 18 December 2012

Kevin M. Stevenson
Chair – AASB

ACCOUNTING STANDARD AASB 2012-11

AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS – REDUCED DISCLOSURE REQUIREMENTS AND OTHER AMENDMENTS

Objective

1 The objective of this Standard is to make amendments to:

- (a) AASB 1 *First-time Adoption of Australian Accounting Standards*;
- (b) AASB 2 *Share-based Payment*;
- (c) AASB 8 *Operating Segments*;
- (d) AASB 10 *Consolidated Financial Statements*;
- (e) AASB 107 *Statement of Cash Flows*;
- (f) AASB 128 *Investments in Associates and Joint Ventures*;
- (g) AASB 133 *Earnings per Share*;
- (h) AASB 134 *Interim Financial Reporting*; and
- (i) AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*;

to extend the circumstances in which an entity can obtain relief from consolidation or the equity method, and to make editorial corrections, including corrections to existing reduced disclosure requirements.

Application

2 Subject to paragraphs 3-6, this Standard applies to:

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

3 In respect of AASB 8, this Standard applies to:

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

4 In respect of AASB 107, this Standard applies to:

- (a) **each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act;**
- (b) **general purpose financial statements of each reporting entity; and**

- (c) financial statements that are, or are held out to be, general purpose financial statements.
- 5 In respect of AASB 133, this Standard applies to each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is:
- (a) a reporting entity whose ordinary shares or potential ordinary shares are publicly traded; or
- (b) a reporting entity that is in the process of issuing ordinary shares or potential ordinary shares in public markets; or
- (c) an entity that discloses earnings per share.
- 6 In respect of AASB 134, this Standard applies to:
- (a) each disclosing entity required to prepare half-year financial reports in accordance with Part 2M.3 of the Corporations Act;
- (b) interim financial reports that are general purpose financial statements of each other reporting entity; and
- (c) interim financial reports that are, or are held out to be, general purpose financial statements.
- 7 This Standard applies to annual reporting periods beginning on or after 1 July 2013.
- 8 Except for the amendment to AASB 2011-4, this Standard may be applied to annual reporting periods beginning on or after 1 July 2009 but before 1 July 2013, provided that AASB 1053 *Application of Tiers of Australian Accounting Standards* is also applied to the same period. When an entity applies this Standard to such an annual reporting period, it shall disclose that fact. Early adoption of the amendment to AASB 2011-4 is not permitted.
- 9 This Standard uses underlining, striking out and other typographical material to identify some of the amendments to a Standard in order to make the amendments more understandable. However, the amendments made by this Standard do not include that underlining, striking out or other typographical material.

Amendments to AASB 1

- 10 Paragraph Aus1.6 is amended as follows (new text is underlined and deleted text is struck through):
- Aus1.6** The following do not apply to entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements:
- (a) paragraphs ~~21–23~~, 21, 22, 23, 24(b), 24(c) ~~and 25–33~~, 25-31B, 32 and 33; and
- (b) in paragraph 6, the text “and present”; and
- (c) in paragraph 24, the text “To comply with paragraph 23,”.

...

- 11 Paragraph RDR21.1 is amended as follows:
- (a) ‘two statements of comprehensive income’ is amended to ‘two statements of profit or loss and other comprehensive income’; and
- (b) ‘two separate income statements’ is amended to ‘two separate statements of profit or loss’.

Amendment to AASB 2

- 12 In paragraph Aus1.6(a), ‘47(c)(iii) and 48-52’ is amended to ‘47(c)(iii), 48-50, 51 and 52’.

Amendment to AASB 8

- 13 Paragraph Aus2.6 is amended as follows (new text is underlined and deleted text is struck through):
- Aus2.6** ~~The requirements that Paragraphs 5-34~~ do not apply to entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements and are identified in this Standard by shading of the relevant text. By virtue of paragraph Aus2.1 this Standard applies to Tier 1 entities preparing general purpose financial statements in accordance with Australian Accounting Standards. Entities applying Australian Accounting Standards – Reduced Disclosure Requirements may elect to comply with some or all of the excluded requirements.

Amendments to AASB 10

14 Paragraph Aus4.1 is amended as follows (new text is underlined):

Aus4.1 Notwithstanding paragraph 4(a)(iv), a parent that meets the criteria in paragraphs 4(a)(i), 4(a)(ii) and 4(a)(iii) need not present consolidated financial statements if its ultimate or any intermediate parent produces consolidated financial statements available for public use and:

(a) the parent and its ultimate or intermediate parent are:

(i) both not-for-profit entities complying with Australian Accounting Standards; or

(ii) both entities complying with Australian Accounting Standards – Reduced Disclosure Requirements; or

(b) the parent is an entity complying with Australian Accounting Standards – Reduced Disclosure Requirements and its ultimate or intermediate parent is a not-for-profit entity complying with Australian Accounting Standards.

15 In the Australian Application Guidance accompanying AASB 10, the table in paragraph AG1 is deleted and the following table inserted:

Same type of entity – same tier				
Ultimate or Intermediate Parent	FP – Tier 1	FP – Tier 2	NFP – Tier 1	NFP – Tier 2
Parent	FP – Tier 1	FP – Tier 2	NFP – Tier 1	NFP – Tier 2
Exemption	Available*	Available	Available	Available

Same type of entity – different tier				
Ultimate or Intermediate Parent	FP – Tier 1	FP – Tier 2	NFP – Tier 1	NFP – Tier 2
Parent	FP – Tier 2	FP – Tier 1	NFP – Tier 2	NFP – Tier 1
Exemption	Available*	Not available	Available	Not available

Different type of entity – same tier				
Ultimate or Intermediate Parent	FP – Tier 1	FP – Tier 2	NFP – Tier 1	NFP – Tier 2
Parent	NFP – Tier 1	NFP – Tier 2	FP – Tier 1	FP – Tier 2
Exemption	Available*	Available	Not available [^]	Available

Different type of entity – different tier				
Ultimate or Intermediate Parent	FP – Tier 1	FP – Tier 2	NFP – Tier 1	NFP – Tier 2
Parent	NFP – Tier 2	NFP – Tier 1	FP – Tier 2	FP – Tier 1
Exemption	Available*	Not available	Available	Not available

FP = For-profit entity

NFP = Not-for-profit entity

* The exemption would not be available by reference to the intermediate parent when it is a for-profit public sector entity unable to claim compliance with IFRSs – see paragraph Aus16.2 of AASB 101 *Presentation of Financial Statements*.

[^] When the parent entity's NFP ultimate or intermediate parent is able to claim compliance with IFRSs, the exemption is available.

Australian Accounting Standards consist of two tiers of reporting requirements for preparing general purpose financial statements:

(a) Tier 1: Australian Accounting Standards; and

(b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Amendment to AASB 107

16 Paragraph Aus1.8 is amended as follows (deleted text is struck through):

Aus1.8 Paragraphs ~~Aus20.1~~, Aus20.2, 40, ...

Amendment to AASB 128

17 Paragraph Aus17.1 is amended as follows (new text is underlined and deleted text is struck through):

Aus17.1 Notwithstanding paragraph 17(d), an ~~investor entity~~ that meets the criteria in paragraphs 17(a), 17(b) and 17(c) need not apply the equity method in accounting for an interest in an associate or joint venture if its ultimate or any intermediate parent produces consolidated financial statements available for public use and:

(a) the investor or the joint venturer and its ultimate or intermediate parent are:

(i) both not-for-profit entities complying with Australian Accounting Standards; or

(ii) both entities complying with Australian Accounting Standards – Reduced Disclosure Requirements; or

(b) the investor or the joint venturer is an entity complying with Australian Accounting Standards – Reduced Disclosure Requirements and its ultimate or intermediate parent is a not-for-profit entity complying with Australian Accounting Standards.

Amendment to AASB 133

18 Paragraph Aus1.9 is amended as follows (new text is underlined and deleted text is struck through):

Aus1.9 ~~The requirements that Paragraphs 3-73A and the Application Guidance Appendix~~ do not apply to entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements and are identified in this Standard by shading of the relevant text. By virtue of paragraph Aus1.1 this Standard applies to relevant Tier 1 entities preparing general purpose financial statements in accordance with Australian Accounting Standards and to relevant Tier 2 entities that elect to comply with this Standard. Entities applying Australian Accounting Standards – Reduced Disclosure Requirements may elect to comply with some or all of the excluded requirements.

Amendments to AASB 134

19 In paragraph Aus1.10(a), ‘16(g)’ is amended to ‘16A(g)’.

20 Paragraph Aus1.10(b) is amended to read as follows:

(b) **in paragraph 16A(i), the sentence “In the case of ... required by AASB 3 *Business Combinations*.”.**

Amendment to AASB 2011-4

21 Paragraph 2 is amended to read as follows:

2 This Standard applies to:

(a) **each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;**

(b) **general purpose financial statements of each other reporting entity; and**

(c) **financial statements that are, or are held out to be, general purpose financial statements.**