

# **ACT ACCOUNTING POLICY**



**Treatment of  
AASB Standards issued  
which are not yet effective  
as at 30 June 2011**

**For reporting periods ending on  
30 June 2011**

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## 1 Introduction

### 1.1 Application

This ACT Accounting Policy applies to directorates and Territory authorities and covers Australian Accounting Standards which have been issued, prior to 30 June 2011 that are not yet effective. These standards will apply during later reporting periods.

## 2 Treatment of AASB Standards Issued Which are Not Yet Effective

### 2.1 Disclosures Required for Standards Issued but Not Yet Effective

When a directorate or Territory authority has not early adopted a new accounting standard, due to the fact that the standard is effective (i.e. compulsory) for a later reporting period, AASB 108 requires the directorate or Territory authority to disclose details regarding that standard and its potential financial impact on the financial statements which may occur when the standard is applied. AASB 108 paragraphs 30 and 31 contain the disclosure requirements.

This policy paper has been developed to assist agencies in making these disclosures. As such, this paper provides an indication of what changes have been included in standards which have been issued but are not yet effective. This will assist agencies in identifying which of the standards may have a potential material financial impact on them when they are applied.

**Agencies are required to:**

- 1. Identify those standards that will apply to their agency upon application, by reading this policy;**
- 2. Assess whether there may be a material financial impact upon the agency (for all standards and interpretations that will apply) by reviewing the changes listed in this policy and referring directly to the standards and/or interpretations;**
- 3. Disclose details of the standards and interpretations which apply but are assessed as *not* having a material financial impact, in the format as presented in the 2010-11 Model Financial Statements (and appendix A); and**
- 4. Disclose details of the standards and interpretations which apply and *are* assessed as having a material financial impact, as per AASB 108 paragraph 30 and 31.**

For disclosure requirements, agencies should refer to Attachment A as it provides an updated Note 2 (af) *Impact of Accounting Standards Issued but yet to be Applied* disclosure which contains a list of standards and interpretations, which are assessed as being applicable to 'Example Agency', that have been issued but are not yet effective to the 2010-11 financial year. This updates the example provided within Note 2 (af) as presented in the 2010-11 Model Financial Statements.

The Note 2 (af) disclosure in Attachment A and in the Model assumes that there is not a material financial impact on 'Example Agency' resulting from standards issued but not yet effective. If these standards have a material financial impact on an agency the note disclosure will need to be amended accordingly.

Note that only standards issued but not yet effective which are applicable to an agency must be included in Note 2 (af). Agencies should also check the additional standards listed in the commentary to Note 2 (as appearing in Attachment A). These standards have been assessed as not applicable to most agencies; however, agencies should verify that they don't apply.

### **3 Summaries of Changes to Standards and Interpretations Issued but Not Yet Effective**

The following standards and interpretations, currently issued by the AASB, which apply to reporting periods ending after 30 June 2011 include:

#### **AASB Compiled Standards**

AASB 1	<i>First-time Adoption of Australian Accounting Standards</i>
AASB 3	<i>Business Combinations</i>
AASB 4	<i>Insurance Contracts</i>
AASB 5	<i>Non-current Assets Held for Sale and Discontinued Operations</i>
AASB 7	<i>Financial Instruments: Disclosures</i>
AASB 8	<i>Operating Segments</i>
AASB 9	<i>Financial Instruments</i>
AASB 101	<i>Presentation of Financial Statements</i>
AASB 107	<i>Statement of Cash Flows</i>
AASB 108	<i>Accounting Policies, Changes in Accounting Estimates and Errors</i>
AASB 110	<i>Events after the Reporting Period</i>
AASB 112	<i>Income Taxes</i>
AASB 118	<i>Revenue</i>
AASB 119	<i>Employee Benefits</i>
AASB 121	<i>The Effects of Changes in Foreign Exchange Rates</i>
AASB 124	<i>Related Party Disclosures</i>
AASB 132	<i>Financial Instruments: Presentation</i>
AASB 133	<i>Earnings per Share</i>
AASB 134	<i>Interim Financial Reporting</i>
AASB 137	<i>Provisions, Contingent Liabilities and Contingent Assets</i>
AASB 139	<i>Financial Instruments: Recognition and Measurement</i>
AASB 140	<i>Investment Property</i>
AASB 1023	<i>General Insurance Contracts</i>
AASB 1031	<i>Materiality</i>
AASB 1038	<i>Life Insurance Contracts</i>
AASB 1053	<i>Application of Tiers of Australian Accounting Standards</i>
AASB 1054	<i>Australian Additional Disclosures</i>

#### **AASB Amending Standards**

AASB 2010-2	<i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i>
AASB 2010-6	<i>Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets</i>
AASB 2010-7	<i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i>

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AASB 2010-8	<i>Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets</i>
AASB 2010-9	<i>Amendments to Australian Accounting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
AASB 2011-1	<i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project</i>
AASB 2011-2	<i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project - Reduced Disclosure Requirements</i>
AASB 2011-3	<i>Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments</i>

**Interpretations**

Interpretation 2	<i>Members' Shares in Co-operative Entities and Similar Instruments</i>
Interpretation 4	<i>Determining whether an Arrangement contains a Lease</i>
Interpretation 13	<i>Customer Loyalty Programmes</i>
Interpretation 14	<i>AASB 119 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>
Interpretation 16	<i>Hedges of a Net Investment in a Foreign Operation</i>
Interpretation 112	<i>Consolidation - Special Purpose Entities</i>
Interpretation 115	<i>Operating Leases - Incentives</i>
Interpretation 127	<i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>
Interpretation 132	<i>Intangible Assets - Website Costs</i>
Interpretation 1039	<i>Substantive Enactment of Major Tax Bills in Australia</i>
Interpretation 1042	<i>Subscriber Acquisition Costs in the Telecommunications Industry</i>
Interpretation 1052	<i>Tax Consolidation Accounting</i>

Each of the changes to the above standards and interpretations are discussed below.

### **3.1 AASB 1 First-time Adoption of Australian Accounting Standards (Appl. 1 Jan 2011)**

**Background**

The version of AASB 1 (applicable 1 Jan 2011) was updated as a result of the AASB's ongoing annual improvements project.

As existing directorates and Territory authorities will not be first-time adopters in future reporting periods, this standard has no financial impact on directorates and Territory authorities. As a result, no summary of the individual changes is provided.

### **3.2 AASB 3 Business Combinations (Appl. 1 Jan 2011)**

**Background**

AASB 3 Business Combinations, applies to entities that have transactions occurring which meet the definition of a business combination.

A 'business combination' is defined as: 'a transaction or other event in which an acquirer obtains control of one or more businesses. Transactions sometimes referred to as 'true mergers' or 'mergers of equals' are also business combinations as that term is used in this Standard'.

With business being defined as: ‘An integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants.’

AASB 3 does not apply to:

- restructures of administrative arrangements;
- the acquisition of an asset or group of assets that does not constitute a business;
- a combination of entities under common control; and
- the formation of a joint venture.

Given these exemptions this standard will not be applicable to most directorates and Territory authorities, and therefore the minor change has not been disclosed within this policy.

### **3.3 AASB 4 Insurance Contracts (Appl. 1 Jan 2011)**

#### **Background**

AASB 4 was updated as a result of the AASB’s ongoing annual improvements project.

The changes were minor editorial changes and will pose no impact upon ACT directorates or Territory authorities. Therefore, no changes have been disclosed within this policy.

### **3.4 AASB 5 Non-current Assets Held for Sale and Discontinued Operations (Appl. 1 Jan 2011)**

#### **Background**

AASB 5 was updated as a result of editorial corrections made by the IASB to IFRSs, and by the AASB to Australian Accounting Standards and Interpretations.

The changes consisted of a minor editorial change which does not result in a material financial impact on directorates or Territory authorities.

### **3.5 AASB 7 Financial Instruments: Disclosures (Appl. 1 Jan 2011)**

#### **Background**

AASB 7 was updated as a result of the AASB’s ongoing annual improvements project.

#### **Changes**

- General guidance has been provided detailing the interaction between qualitative and quantitative disclosure in paragraph 32A; and
- Other minor inconsequential edits.

### **3.6 AASB 8 Operating Segments (Appl. 1 Jan 2011)**

#### **Background**

AASB 8 (applicable 1 Jan 2011) is only applicable to for-profit reporting entities that have issued, or are in the process of issuing, debt or equity securities on a public market. The changes reflected in AASB 8

therefore do not apply to directorates and Territory authorities as they do not issue debt or equity securities on a public market. As a result no summary of the individual changes are provided.

### **3.7 AASB 9 Financial Instruments (Appl. 1 Jan 2013)**

#### **Background**

AASB 9 has been issued as a result of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement* (AASB 139 *Financial Instruments: Recognition and Measurement*). Currently, only the treatment of financial assets has been considered and implemented into AASB 9, with financial liabilities to be considered during 2010. Therefore, both AASB 9 (for financial assets) and AASB 139 (for financial liabilities) will be operational when AASB 9 is first applied (for annual reporting periods beginning on or after 1 January 2013).

#### **Changes**

The following changes, in the treatment of financial assets, have arisen as a result of the introduction of AASB 9 applicable to reporting periods commencing on or after 1 January 2013:

- Financial assets will be classified differently. Financial assets will only be classified as:
  - financial assets measured at amortised cost; or
  - financial assets at fair value through profit or loss.

The determining criteria will be based on:

- a) the objective of the entity's business model for managing financial assets, and
- b) the characteristics of the contractual cash flows.

This will replace the four categories of financial assets in AASB 139, which are:

- Financial asset at fair value through profit or loss;
  - Held-to-maturity financial assets;
  - Loans and receivables; and
  - Available-for-sale financial assets.
- Where an agency holds an asset or portfolio of assets with the main objective to collect contractual cash flows on specific dates and those cash flows are generally in the form of principal and/or interest, these assets will be measured at amortised cost.
  - Any financial asset not measured at amortised cost, because it does not meet the criteria mentioned above, must be measured at fair value.
  - When AASB 9 is applied, agencies will be required to assess the classification of all financial assets currently held, and apply any changes in measurement and recognition retrospectively in accordance with AASB 108.

- On application of AASB 9, the measurement basis for an agency's cash at bank, receivables, and investments with the TBA Cash enhanced portfolio, are not likely to change. However, as a result of the new measurement criteria being dependent upon the agency's business model (i.e. whether the investment is managed with a view for capital growth or rather to collect contractual cash flows) the measurement basis for an agency's investments with the TBA in the fixed interest portfolio may change from fair value to amortised cost.
- Agencies should analyse their own financial assets to determine the correct classification and measurement basis for their financial assets. A change in measurement basis, may give rise to a material financial impact on agency's financial statements.
- An irrevocable election is available at initial recognition, to present in other comprehensive income, changes in fair value of an investment in an equity instrument that is not held for trading. Dividends, which are a return on investment, can be recognised in profit or loss.
- Financial assets can be reclassified in instances where the agency's business model changes.
- Financial assets can be designated and measured at fair value, if doing so eliminates, or significantly reduces, a measurement or recognition inconsistency.

*Changes that will most likely only be applicable to agencies such as the Territory Banking Account & Super Provision Account*

- Agency's who have hybrid contracts which contain a host that is within the scope of AASB 9 shall treat the whole contract in accordance with AASB 9.
- Investments in unquoted equity instruments must be measured at fair value, however, in some instances cost may be an appropriate estimate of fair value.
- Investments in contractually linked instruments, that create concentrations of credit risk, are classified and measured using a 'look through' approach. This approach looks through to the underlying assets generating cash flows and assesses the cash flows against the classification criteria.

### **3.8 AASB 101 Presentation of Financial Statements (Appl. 1 Jan 2011)**

#### **Background**

AASB 101 was updated as a result of the AASB's ongoing annual improvements project.

#### **Changes**

The following change has been made to AASB 101 applicable to reporting periods commencing on or after 1 January 2011:

- Extra clarification provided detailing that the reconciliation of items presented in other comprehensive income may be presented either in the statement of changes in equity or in the notes to the financial statements; and
- Other minor inconsequential reference changes.

### **3.9 AASB 107 Statement of Cash Flows (Appl. 1 Jan 2011)**

#### **Background**

AASB 107 was updated as a result of the AASB's ongoing annual improvements project.

#### **Changes**

The changes were minor editorial changes and will pose no impact upon ACT directorates or Territory authorities. Therefore, no changes have been disclosed within this policy.

### **3.10 AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors (Appl. 1 Jan 2011)**

#### **Background**

AASB 108 was updated as a result of the AASB's ongoing annual improvements project.

#### **Changes**

The changes were minor editorial changes and will pose no impact upon ACT directorates or Territory authorities. Therefore, no changes have been disclosed within this policy.

### **3.11 AASB 110 Events after the Reporting Period (Appl. 1 Jan 2011)**

#### **Background**

AASB 110 was updated as a result of the AASB's ongoing annual improvements project.

#### **Changes**

The changes were minor editorial changes and will pose no impact upon ACT directorates or Territory authorities. Therefore, no changes have been disclosed within this policy.

### **3.12 AASB 112 Income Taxes (Appl. 1 Jan 2011)**

#### **Background**

AASB 112 was updated as a result of the AASB's ongoing annual improvements project.

#### **Changes**

The changes were minor editorial changes and will pose no impact upon ACT directorates or Territory authorities. Therefore, no changes have been disclosed within this policy.

### **3.13 AASB 118 Revenue (Appl. 1 Jan 2011)**

#### **Background**

AASB 118 was updated as a result of the AASB's ongoing annual improvements project.

#### **Changes**

The changes were minor editorial changes and will pose no impact upon ACT directorates or Territory authorities. Therefore, no changes have been disclosed within this policy.

### 3.14 AASB 119 Employee Benefits (Appl. 1 Jan 2011)

#### Background

AASB 119 was updated as a result of the AASB's ongoing annual improvements project.

#### Changes

The changes were minor editorial changes and will pose no impact upon ACT directorates or Territory authorities. Therefore, no changes have been disclosed within this policy.

### 3.15 AASB 121 The Effects of Changes in Foreign Exchange Rates (Appl. 1 Jan 2011)

#### Background

AASB 121 was updated as a result of the AASB's ongoing annual improvements project.

#### Changes

The changes were minor editorial changes and will pose no impact upon ACT directorates or Territory authorities. Therefore, no changes have been disclosed within this policy.

### 3.16 AASB 124 Related Party Disclosures (Appl. 1 Jan 2011)

#### Background

AASB 124 was updated as a result of the IASB updating IFRS 24 *Related Party Disclosures*. AASB 124 only applies to *for-profit* directorates and Territory authorities.

For-profit public sector entities are only required to follow paragraphs 1 to 28, as paragraphs AUS 29.1 to AUS 29.9.3 only apply to disclosing entities. As such the changes to paragraphs 1 to 28 are mentioned below.

#### Changes

The following changes have been made to AASB 124 applicable to reporting periods commencing on or after 1 January 2011:

- There have been a few changes to the definition of a related party as follows:
  - The definition now includes a subsidiary and an associate with the same investor as related parties of each other;
  - The definition now excludes the relationship between an entity significantly influenced by one person and another entity significantly influenced by a close member of the family of that person; and
  - The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other.
- An agency must now also disclose commitments with a related party to do something if a particular event occurs or doesn't occur in the future (including executory contracts) (see paragraph 21(i)).

- An exemption from the disclosure requirements for reporting related party information is provided (in paragraph 25) to an agency when the related party is a government that has control, joint control or significant influence over the agency, and also where another agency that is a related party because the same government has control, joint control or significant influence over both government agencies.

If the agency applies this exemption, there are alternative disclosure requirements mentioned in paragraph 26 and considerations to make, in applying these alternative disclosures, mentioned in paragraph 27.

### **3.17 AASB 132 Financial Instruments: Presentation (Appl. 1 Jan 2011)**

#### **Background**

AASB 132 was updated as a result of the AASB's ongoing annual improvements project.

#### **Changes**

The changes were minor editorial changes and will pose no impact upon ACT directorates or Territory authorities. Therefore, no changes have been disclosed within this policy.

### **3.18 AASB 133 Earnings per Share (Appl. 1 Jan 2011)**

#### **Background**

AASB 133 was updated as a result of editorial corrections made by the IASB to IFRSs, and by the AASB to Australian Accounting Standards and Interpretations. The changes were minor editorial changes and will not have a material financial impact on directorates or Territory authorities. Further, the Earnings per Share standard is not generally applicable to directorates and Territory authorities.

### **3.19 AASB 134 Interim Financial Reporting (Appl. 1 Jan 2011)**

#### **Background**

AASB 134 was updated as a result of the AASB's ongoing annual improvements project. The changes have not been analysed as AASB 134 does not apply to directorates or Territory authorities, as they do not prepare interim financial reports.

### **3.20 AASB 137 Provisions, Contingent Liabilities and Contingent Assets (Appl. 1 Jan 2011)**

#### **Background**

AASB 137 was updated as a result of editorial corrections made by the IASB to IFRSs, and by the AASB to Australian Accounting Standards and Interpretations. The changes were minor editorial changes and will not have a material financial impact on directorates or Territory authorities.

### **3.21 AASB 139 Financial Instruments: Recognition and Measurement (Appl. 1 Jan 2011)**

#### **Background**

AASB 139 was updated as a result of editorial corrections made by the IASB to IFRSs, and by the AASB to Australian Accounting Standards and Interpretations.

However the amendment was an inconsequential editorial change and will not have a material financial impact on directorates or Territory authorities.

### **3.22 AASB 140 Investment Properties (Appl. 1 Jan 2011)**

#### **Background**

AASB 140 was updated as a result of editorial corrections made by the IASB to IFRSs, and by the AASB to Australian Accounting Standards and Interpretations.

However the amendment was an inconsequential editorial change and will not have a material financial impact on directorates or Territory authorities.

### **3.23 AASB 1023 General Insurance Contracts (Appl. 1 Jan 2011)**

#### **Background**

AASB 1023 was updated as a result of editorial corrections made by the IASB to IFRSs, and by the AASB to Australian Accounting Standards and Interpretations.

However the amendments were inconsequential editorial changes and will not have a material financial impact on directorates or Territory authorities.

### **3.24 AASB 1031 Materiality (Appl. 1 Jan 2011)**

#### **Background**

AASB 1031 was updated as a result of editorial corrections made by the IASB to IFRSs, and by the AASB to Australian Accounting Standards and Interpretations.

However the amendment was an inconsequential editorial change and will not have a material financial impact on directorates or Territory authorities.

### **3.25 AASB 1038 Life Insurance Contracts (Appl. 1 Jan 2011)**

#### **Background**

AASB 1038 was updated as a result of editorial corrections made by the IASB to IFRSs, and by the AASB to Australian Accounting Standards and Interpretations.

However the amendment was an inconsequential editorial change and will not have a material financial impact on ACT directorates or Territory authorities.

### **3.26 AASB 1053 Application of Tiers of Australian Accounting Standards (Appl. 1 Jul 2013)**

#### **Background**

AASB 1053 was released by the AASB in order to help reduce the disclosure burden for some reporting entities. Entities, which are now referred to as Tier 2 entities, include proprietary companies (those without public accountability) in the for-profit private sector, all not-for-profit private sector entities and

the majority of public sector entities. Tier 2 entities are now able to apply AASB 1053 and report using either full Australian Accounting Standards **or** the reduced disclosure requirements.

However, entities that possess public accountability in the for-profit sector, and the Australian Government, State Government and Local Governments, both whole-of-government and GGS financial statements, **must** be prepared using full Australian Accounting Standards.

A policy decision, regarding whether individual directorates and Territory authorities will be able to report using reduced disclosure requirements is yet to be made. However, even if ACT accounting policy allows reduced disclosure reporting for some agencies in the future, this will not affect the way an agency is required to recognise or measure items in their financial statements. Therefore there will not be a material financial impact upon the agency's financial statements. As a result, details of what AASB 1053 contains have not been presented in this paper.

The accounting standard's application date begins 1 July 2013. ACT Accounting policy on the application of this standard will be developed prior to the standard's implementation.

### **3.27 AASB 1054 Australian Additional Disclosures (Appl. 1 Jan 2011)**

#### **Background**

The AASB in conjunction with the Financial Reporting Standards Board (FRSB) of the New Zealand Institute of Chartered Accountants have been in the process of harmonizing standards across the Tasman. The project has been called the Trans-Tasman Convergence Project.

As part of phase 1 of that project, the jurisdictions agreed to move any requirements (for-profits only) which were over and above IFRS requirements to a separate standard. This standard, AASB 1054, has arisen as a result of that decision.

As the inclusions in this standard are simply sections moved from other standards, currently in operation, there will be no material financial impact when this standard is applied.

### **3.28 AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (Appl. 1 Jul 2013)**

#### **Background**

The issuance of AASB 1053 *Application of Tiers of Australian Accounting Standards*, necessitates consequential amendments to the following standards and interpretations:

AASB 1	<i>First-time Adoption of Australian Accounting Standards;</i>
AASB 2	<i>Share-based Payment;</i>
AASB 3	<i>Business Combinations;</i>
AASB 5	<i>Non-current Assets Held for Sale and Discontinued Operations;</i>
AASB 7	<i>Financial Instruments: Disclosures;</i>
AASB 8	<i>Operating Segments;</i>
AASB 101	<i>Presentation of Financial Statements;</i>
AASB 102	<i>Inventories;</i>
AASB 107	<i>Statement of Cash Flows;</i>

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AASB 108	<i>Accounting Policies, Changes in Accounting Estimates and Errors;</i>
AASB 110	<i>Events after the Reporting Period;</i>
AASB 111	<i>Construction Contracts;</i>
AASB 112	<i>Income Taxes;</i>
AASB 116	<i>Property, Plant and Equipment;</i>
AASB 117	<i>Leases;</i>
AASB 119	<i>Employee Benefits;</i>
AASB 121	<i>The Effect of Changes in Foreign Exchange Rates;</i>
AASB 123	<i>Borrowing Costs;</i>
AASB 124	<i>Related Party Disclosures;</i>
AASB 127	<i>Consolidated and Separate Financial Statements;</i>
AASB 128	<i>Investments in Associates;</i>
AASB 131	<i>Interests in Joint Ventures;</i>
AASB 133	<i>Earnings per Share;</i>
AASB 134	<i>Interim Financial Reporting;</i>
AASB 136	<i>Impairment of Assets;</i>
AASB 137	<i>Provisions, Contingent Liabilities and Contingent Assets;</i>
AASB 138	<i>Intangible Assets;</i>
AASB 140	<i>Investment Property;</i>
AASB 141	<i>Agriculture;</i>
AASB 1050	<i>Administered Items;</i>
AASB 1052	<i>Disaggregated Disclosures;</i>
Interpretation 2	<i>Members' Shares in Co-operative Entities and Similar Instruments;</i>
Interpretation 4	<i>Determining whether an Arrangement contains a Lease;</i>
Interpretation 5	<i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds;</i>
Interpretation 15	<i>Agreements for the Construction of Real Estate;</i>
Interpretation 17	<i>Distributions of Non-cash Assets to Owners;</i>
Interpretation 127	<i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease;</i>
Interpretation 129	<i>Service Concession Arrangements: Disclosures; and</i>
Interpretation 1052	<i>Tax Consolidation Accounting.</i>

## **Changes**

These amendments detail which disclosures are not required when reporting under the Reduced Disclosure Regime.

A policy decision, regarding whether individual directorates and Territory authorities will be able to report using reduced disclosure requirements is yet to be made. However, even if ACT accounting policy allows reduced disclosure reporting by some agencies in the future, this will not affect the way an agency is required to recognise or measure items in their financial statements. Therefore there will be no material

financial impact upon the agency's financial statements in the year of application. As a result, details of what AASB 2010-2 contains have not been presented in this paper.

### **3.29 AASB 2010-6 Amendments to Australian Accounting Standards Disclosures on Transfers of Financial Assets (Appl. 1 Jul 2011)**

#### **Background**

The amendments effected through this standard have arisen from the issue of the IASB's amendments to IFRS 7 *Disclosures — Transfers of Financial Assets* in October 2010. The amendments have been made to the following standards and interpretations:

AASB 1	<i>First-time Adoption of Australian Accounting Standards;</i>
AASB 7	<i>Financial Instruments: Disclosures;</i>

These changes, only concern the way transfers of financial assets are disclosed, therefore there will be no material financial impact upon the agency's financial statements in the year of application.

#### **Changes**

The following changes have been presented in AASB 2010-6 applicable to reporting periods commencing on or after 1 July 2011:

##### *AASB 1 First-time Adoption of Australian Accounting Standards*

- Additional guidance providing extended to first-time adopters the same transition provisions as current accounting standard preparers

##### *AASB 7 Financial Instruments: Disclosures*

- Extra disclosures required when Financial Assets are transferred.

### **3.30 AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (Appl. 1 Jan 2013)**

#### **Background**

The issuance of AASB 9 *Financial Instruments* necessitates consequential amendments to the following standards and interpretations:

AASB 1	<i>First-time Adoption of Australian Accounting Standards;</i>
AASB 3	<i>Business Combinations;</i>
AASB 4	<i>Insurance Contracts;</i>
AASB 5	<i>Non-current Assets Held for Sale and Discontinued Operations;</i>
AASB 7	<i>Financial Instruments: Disclosures;</i>
AASB 101	<i>Presentation of Financial Statements;</i>
AASB 102	<i>Inventories;</i>
AASB 108	<i>Accounting Policies, Changes in Accounting Estimates and Errors;</i>
AASB 112	<i>Income Taxes;</i>

AASB 118	<i>Revenue;</i>
AASB 120	<i>Accounting for Government Grants and Disclosure of Government Assistance;</i>
AASB 121	<i>The Effect of Changes in Foreign Exchange Rates;</i>
AASB 127	<i>Consolidated and Separate Financial Statements;</i>
AASB 128	<i>Investments in Associates;</i>
AASB 131	<i>Interests in Joint Ventures;</i>
AASB 132	<i>Financial Instruments: Presentation;</i>
AASB 136	<i>Impairment of Assets;</i>
AASB 137	<i>Provisions, Contingent Liabilities and Contingent Assets;</i>
AASB 139	<i>Financial Instruments: Recognition and Measurement;</i>
AASB 1023	<i>General Insurance Contracts;</i>
AASB 1038	<i>Life Insurance Contracts;</i>
Interpretation 2	<i>Members' Shares in Co-operative Entities and Similar Instruments;</i>
Interpretation 5	<i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds;</i>
Interpretation 10	<i>Interim Financial Reporting and Impairment;</i>
Interpretation 12	<i>Service Concession Arrangements;</i>
Interpretation 19	<i>Extinguishing Financial Liabilities with Equity Instruments; and</i>
Interpretation 127	<i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease.</i>

## **Changes**

This standard was originally produced under the title of AASB 2009-11 which incorporated changes made by the introduction of AASB 9 up until December 2009, however, that standard has been superseded by this standard (AASB 2010-7) which incorporates changes made by the introduction of AASB 9 up until December 2010.

As a result, the following changes have been presented in AASB 2010-7 applicable to reporting periods commencing on or after 1 January 2013:

### *AASB 1 First-time Adoption of Australian Accounting Standards*

There are a number of changes made to AASB 1 as a result of amending standard AASB 2009-11. However, as existing directorates and Territory authorities will not be first-time adopters in future reporting periods, this standard has no impact on directorates and Territory authorities, and as such none of the changes are outlined in this paper.

### *AASB 3 Business Combinations*

- References to the new classifications of financial assets and to AASB 9 are made in AASB 3 paragraphs 16(a-c) and 58.
- Minor editorial changes to paragraph 42.

### *AASB 4 Insurance Contracts*

- References to the new classifications of financial assets and to AASB 9 are made in AASB 4 paragraphs 3, 4, 7, 8, 12, 34, 35, 45, Appendix A, B18, B19 and B20.

*AASB 5 Non-current Assets Held for Sale and Discontinued Operations*

- Reference to ‘AASB 139 Financial Instruments: Recognition and Measurement’ in AASB 5 paragraph 5(c) is changed to ‘AASB 9 Financial Instruments’.

*AASB 7 Financial Instruments: Disclosures*

- References to AASB 9 have been added to AASB 7 paragraphs 2-5.
- References which have been made to the new financial asset classifications and to AASB 9 have been added to AASB 7 paragraphs 8 & 9.
- Additional disclosures required for designated or derecognised investments in equity instruments measured at fair value through other comprehensive income as per paragraph 11A & 11B.
- Prior reclassification disclosures in paragraph 12 & 12A have been replaced with new disclosures required where an agency changes its business model for managing assets and as a result reclassifies all affected financial assets (see AASB 7 paragraphs 12B and 12C). There are also new disclosure requirements regarding the reclassification of financial assets in AASB 7 paragraph 12D. As these changes are in relation to disclosures, they will not result in any material financial impact on agencies.
- References to the new classification of financial assets and to AASB 9 have been added to AASB 7 paragraph 20. Note that this change relates to disclosure required and as such will not have a material financial impact on agencies.
- An additional disclosure is required (AASB 7 paragraph 20A) showing an analysis of the gain or loss recognised in the Operating Statement arising from derecognition of financial assets measured at amortised cost. The disclosure shall also include the reasons for derecognising those financial assets. As this is a disclosure it will not have a material financial impact on agencies.
- Fair value disclosures for investments in equity instruments, that do not have a quoted market price in an active market, are now required. As this is a change in disclosure it will not have a material financial impact on agencies (AASB 7 paragraph 29).
- Minor editorial changes have been made to AASB 7 paragraph 30.
- On initial application of AASB 9, a number of quantitative disclosures are required by AASB 7 paragraph 44I and there are also a number of qualitative disclosures required by AASB 7 paragraph 44J. As these changes relate to disclosure requirements, they will not have a material financial impact on agencies.
- Appendix A (Defined Terms) no longer provides the reference in AASB 139 for:
  - Available-for-sale financial assets;
  - Financial assets at fair value through profit or loss;
  - Financial asset or liability held for trading;
  - Held to maturity instruments; and
  - Loans and receivables.

These references have been deleted from AASB 139. However, a reference for ‘held for trading’ is now included in AASB 139.

- Appendix B has some minor changes including:
  - Reference change to AASB 9 in paragraph B1;
  - Removal of financial asset out of the requirements to disclose the measurement basis in paragraph B5(a). However, further advice is now provided in B5 (aa) in regards to financial assets;
  - Change in terminology from ‘loans and receivables’ to just ‘loans’ in paragraph B10 and ‘debt instruments’ in paragraph B22; and
  - Changes have been made in paragraph B27 in terminology in regards to the instruments which require separate sensitivity disclosure as per paragraph 40(a).

#### *AASB 101 Presentation of Financial Statements*

- Details of the components of other comprehensive income (paragraph 7) now includes gains and losses from investments in equity instruments measured at fair value through other comprehensive income in accordance with paragraph 5.4.4 in AASB 9.
- The operating statement shall now include additional line items which detail the gains and losses arising from:
  - the derecognition of financial assets measured at amortised cost (paragraph 82(aa)); and
  - the difference between the carrying amount and fair value of financial assets reclassified from amortised cost to fair value (paragraph 82(ca)).
- Changes have been made to AASB 101 paragraphs 68, 93 and 95 to reflect the new classifications of financial assets.

#### *AASB 102 Inventories*

- Reference to the new standard AASB 9 *Financial Instruments* is made in AASB 102 paragraph 2.

#### *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors*

- Minor editorial change has been made to AASB 108 paragraph 52 to remove the example of a change in accounting policy which referred to a previous classification of financial assets.

#### *AASB 112 Income Taxes*

- Reference to the new standard AASB 9 *Financial Instruments* is made in AASB 112 paragraph 20.

#### *AASB 118 Revenue*

- References to the new standard AASB 9 *Financial Instruments* are made in AASB 118 paragraphs 6 & 11.

#### *AASB 120 Accounting for Government Grants and Disclosure of Government Assistance*

- References to the new standard AASB 9 *Financial Instruments* are made in AASB 120 paragraphs 10A.

#### *AASB 121 The Effect of Changes in Foreign Exchange Rates*

- References to the new standard AASB 9 *Financial Instruments* are made in AASB 121 paragraphs 3, 4 & 52. Note AASB 121 does not apply to directorates and Territory authorities.

#### *AASB 127 Consolidated and Separate Financial Statements*

- A change has been made to an example provided in AASB 127 relating to where a parent loses control of a subsidiary. This is because the example referred to a previous classification of financial asset called ‘available for sale financial assets’ (AASB 127 paragraph 35).
- References to the new standard AASB 9 *Financial Instruments* are made in AASB 127 paragraphs 37, 38 & 40.

#### *AASB 128 Investments in Associates*

- A change has been made to an example provided in AASB 128 relating to where an investor loses significant influence over an associate. This is because the example referred to a previous classification of financial asset called ‘available for sale financial assets’ (AASB 128 paragraph 19A).
- References to the new standard AASB 9 *Financial Instruments* and new classification of financial instruments are included in AASB 128 paragraph 1.
- References to the new standard are also made in AASB 128 paragraphs 18 & 19.

#### *AASB 131 Interests in Joint Ventures*

- A change has been made to an example provided in AASB 131 relating to where an investor loses joint control of an entity. This is because the example referred to a previous classification of financial asset called ‘available for sale financial assets’ (AASB 131 paragraph 45B).
- References to the new standard AASB 9 *Financial Instruments* and new classification of financial instruments are included in AASB 131 paragraph 1.
- References to the new standard AASB 9 *Financial Instruments* are also made in AASB 131 paragraphs 45, 45A, and 51.

#### *AASB 132 Financial Instruments: Presentation*

- References to the new standard AASB 9 *Financial Instruments* are made in AASB 132 paragraphs 3, 31, AG2, and AG30.
- The wording in AASB 132 paragraph 12 has been updated in line with the changes in AASB 139 regarding the removal of the definitions of categories of financial assets.

#### *AASB 136 Impairment of Assets*

- References to the new standard AASB 9 *Financial Instruments* are made in AASB 136 paragraphs 2 and 5.

#### *AASB 137 Provisions, Contingent Liabilities and Contingent Assets*

- References to the new standard AASB 9 *Financial Instruments* are made in AASB 137 paragraph 2.

#### *AASB 139 Financial Instruments: Recognition and Measurement*

- In AASB 139 paragraph 1 the principles for classifying and measuring financial assets, have been removed from the objective of the standard. These principles are now contained within AASB 9.

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- References to the new standard AASB 9 *Financial Instruments* are made in AASB 139 paragraphs 31, 33, 48, 57, 90, 96, AG3, AG3A, AG4B, AG4D, AG34, AG35 and AG76A.
- The definitions for the categories of financial instruments have been aligned with the new classifications of financial assets, as required by AASB 9, and the definitions to ‘held-to-maturity investments’, ‘loans and receivables’ and ‘available-for-sale financial assets’ have been deleted.
- Similarly, references referring to a particular category of financial asset have been changed to referring to financial assets, as in AASB 139 paragraph 63 and AG95.
- Minor editorial changes have been made to AASB 139 paragraphs 10, 13, AG4H, AG29, AG31, AG32, AG33, AG33A, AG33B, AG50 and AG56.
- AASB 9 now deals with financial assets and as such references to financial asset have been removed from AASB 139. Paragraphs in AASB 139 which have had references to financial assets removed, and/or references limited to financial liabilities, include AASB 139 paragraphs 14, 43, 55, 56, 88, 89, AG4C and AG64.
- An embedded derivative shall be separated from the host contract and accounted for under AASB 139 if, amongst other criteria, it is not within the scope of AASB 9 as per AASB 139 paragraph 11 and 11A.
- When derecognising financial assets in their entirety, the difference between the assets carrying amount, at the date of derecognition, and the consideration received shall be recognised in profit or loss. Previously, the standard didn’t stipulate that the carrying amount was measured at the date of derecognition and the consideration received also included cumulative gains or losses allocated to it which had been recognised in other comprehensive income (AASB 139 paragraph 26 & 27).
- When derecognising parts of financial assets, where the entity maintains continuing involvement in the asset, the difference between the assets carrying amount, at the date of derecognition, and the consideration received shall be recognised in profit or loss. Previously, the standard didn’t stipulate that the carrying amount was measured at the date of derecognition and the consideration received also included cumulative gains or losses allocated to it which had been recognised in other comprehensive income (AASB 139 paragraphs 33 & 34).
- Reference to Appendix A paragraphs AG80 and AG81 have been included in AASB 139 paragraph 47.
- The reclassification of financial instruments requirements in AASB 139 paragraphs 50, 50A, 53 & 54 have been limited to financial liabilities. Reclassification for financial assets are now treated in accordance with AASB 9.
- The following paragraphs and their content have been deleted:
  - 45 - 46 regarding subsequent measurement of financial assets;
  - 50B - 52 regarding reclassification of financial assets;
  - 61 regarding objective evidence of impairment; and
  - 66-70 regarding financial assets carried at cost and available for sale financial assets.
  - 79 with regards to the guidance on held-to-maturity investments.

- Guidance relating to the treatment of estimates of cash receipts in instances where financial assets have been reclassified, in regards to the effective interest rate, appearing in AASB 139 paragraph AG8 has been deleted.
- The reliable measure for determining fair value appearing in paragraphs 53 & 54 now only applies to financial liabilities and not financial assets.
- Impairment and uncollectibility of financial assets referred to in paragraphs 58 and AG84 now only applies to financial assets measured at amortised cost.
- Upon initial application of AASB 9 agencies may:
  - Designate a financial liability as measured at fair value through profit or loss; and
  - revoke any previous designations of a financial liability measured at fair value through profit or loss if it does or doesn't satisfy the condition at the date of initial application of AASB 9 (see AASB 139 paragraph 103M).
- Two examples of when an entity manages a group of financial assets and liabilities in accordance with a documented risk management or investment strategy have been deleted from AASB 139 paragraph AG4I.
- Two examples provided in AASB 139 paragraph AG4E have been deleted and reference to financial assets classified as available-for-sale has been removed.
- Application guidance regarding the valuation of investments in equity instruments that do not have a quoted market price in an active market has been removed from AASB 139 paragraphs AG80, AG81, and AG96.
- Application guidance regarding the treatment of monetary and non-monetary available-for-sale financial assets in foreign currency has been removed from AASB 139 paragraph AG83. The paragraph now only refers to financial liabilities in such instances.
- An example has been removed from AASB 139 paragraph AG114(a).
- A new heading above paragraph AG133 has been placed which details the references for the paragraphs concerning the effective dates and transition provisions.

#### *AASB 1023 General Insurance Contracts*

- References to the new standard AASB 9 *Financial Instruments* have replaced references to AASB 139 in AASB 1023 paragraphs 15.2, 15.5, 15.5.1, 15.5.2, 16.1, Appendix Paragraph 18 and 19.
- Additional guidance is provided determining when embedded derivatives are separated from their host contract, and which standard i.e. AASB 139 or 9 applies to such instances.
- An insurer is required to measure their financial assets in accordance with AASB 9 and their financial liabilities in accordance with AASB 139.

#### *AASB 1038 Life Insurance Contracts*

- References to the new standard AASB 9 *Financial Instruments* are made in paragraphs 2.2.2, 10.2, 10.5, 10.5.1, 10.6, 10.6.1, 10.7, 10.7.1, 10.7.2, 12.1, 12.1.1, 12.1.2, 17.5.4 and 17.5.5.
- Additional guidance is provided determining when embedded derivatives are separated from their host contract, and which standard (i.e. AASB 139 or 9) applies to such instances.
- An insurer is required to measure their financial assets in accordance with AASB 9.

*AASB Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments*

- References to the new standard AASB 9 *Financial Instruments* are made in the 'Reference' section.
- Other minor editorial changes.

*AASB Interpretation 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*

- References to the new standard AASB 9 *Financial Instruments* are made in the 'Reference' section.
- Other minor editorial changes.

*AASB Interpretation 10 Interim Financial Reporting and Impairment*

- References to the new standard AASB 9 *Financial Instruments* are made in the 'Reference' section.
- Other minor editorial changes.

*AASB Interpretation 12 Service Concession Arrangements*

- References to the new standard AASB 9 *Financial Instruments* are made in the 'Reference' section and Interpretation 12 paragraphs 23, 24, and 25.
- Other minor editorial changes.

*AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments*

- References to the new standard AASB 9 *Financial Instruments* are made in the 'Reference' section.
- Other minor editorial changes.

*AASB Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*

- References to the new standard AASB 9 *Financial Instruments* are made in the 'Reference' section.
- Other minor editorial changes.

**3.31 AASB 2010-8 Amendments to Australian Accounting Standards — Deferred Tax: Recovery of Underlying Assets (Appl. 1 Jan 2012)**

**Background**

The amendments effected through this standard have arisen from the issue of the IASB's IAS 12 *Deferred Tax: Recovery of Underlying Assets*. The amendments have been made to the following standard:

AASB 112                      *Income Taxes*

Most ACT directorates and Territory authorities do not have to account for Income taxes (i.e. those not in the National Tax Equivalents Regime) and therefore will not have to consider the changes effected by this standard.

**Changes**

The following changes have been presented in AASB 2010-8 applicable to reporting periods commencing on or after 1 Jan 2012:

*AASB 112 Income Taxes*

- The changes provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model in AASB 140 *Investment Property*.

As the measurement of deferred tax liabilities and assets depends on whether an entity expects to recover an asset by using it or selling it, a presumption has been included that investment property is recovered entirely through sale.

Where this is not the case, the presumption is rebutted, and alternative treatment allowed.

**3.32 AASB 2010-9 Amendments to Australian Accounting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Appl. 1 Jul 2011)**

**Background**

The amendments effected through this standard have arisen from amendments to the issue of the IASB's IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendments have been made to the following standard:

AASB 1                      *First-time Adoption of Australian Accounting Standards*

All ACT directorates and Territory authorities do not have a functional currency subject to severe hyperinflation and therefore will not have to consider the changes effected by this standard.

**Changes**

The following changes have been presented in AASB 2010-9 applicable to reporting periods commencing on or after 1 Jul 2011:

AASB 1 *First-time Adoption of Australian Accounting Standards*

- Additional disclosures are required for entities which are preparing financial reports under Australian Accounting Standards for the first-time where their functional currency is subject to severe hyperinflation.
- Other minor editorial changes to effect the change mentioned above.

**3.33 AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project (Appl. 1 Jul 2011)**

**Background**

The amendments effected through this standard have arisen as a result of the Trans-Tasman Convergence Project, which effectively attempts to align Australian and New Zealand Accounting Standards. The amendments have been made to the following standards:

AASB 1                      *First-time Adoption of Australian Accounting Standards;*

AASB 5                      *Non-current Assets Held for Sale and Discontinued Operations;*

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AASB 101	<i>Presentation of Financial Statements;</i>
AASB 107	<i>Statement of Cash Flows;</i>
AASB 108	<i>Accounting Policies, Changes in Accounting Estimates and Errors;</i>
AASB 121	<i>The Effect of Changes in Foreign Exchange Rates;</i>
AASB 128	<i>Investments in Associates;</i>
AASB 132	<i>Financial Instruments: Presentation;</i>
AASB 134	<i>Interim Financial Reporting;</i>
Interpretation 2	<i>Members' Shares in Co-operative Entities and Similar Instruments;</i>
Interpretation 112	<i>Consolidation – Special Purpose Entities; and</i>
Interpretation 113	<i>Jointly Controlled Entities – Non-Monetary Contributions by Venturers.</i>

Most changes result in the relocation of current requirements to AASB 1054 *Australian Additional Disclosures*. The remainder of the changes are minor deletions. As such, this standard will have no material impact upon ACT directorates and territory authorities and changes have therefore not been listed.

### **3.34 AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project — Reduced Disclosure Requirements (Appl. 1 Jul 2013)**

#### **Background**

The amendments effected through this standard have arisen as a result of the Trans-Tasman Convergence Project, which effectively attempts to align Australian and New Zealand Accounting Standards. The amendments have been made to the following standards:

AASB 101	<i>Presentation of Financial Statements; and</i>
AASB 1054	<i>Australian Additional Disclosures.</i>

Most changes result in the relocation of current requirements to AASB 1054 *Australian Additional Disclosures*. The remainder of the changes are minor deletions. As such, this standard will have no material impact upon ACT directorates and territory authorities and changes have therefore not been listed.

### **3.35 AASB 2011-3 Amendments to Australian Accounting Standards — Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments (Appl. 1 Jul 2012)**

#### **Background**

The amendments effected through this standard have arisen as a result of the AASB's post implementation review of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. The review had regard to the experiences, at an operational level, of each jurisdiction in applying AASB 1049 to its 2008-09 or earlier financial year.

As AASB 1049 only applies to Whole of Government financial statements, there will be no financial impact for the individual ACT directorates or Territory authorities when AASB 2011-3 takes affect.

### **3.36 AASB Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (Appl. 1 Jan 2011)**

AASB Interpretation 2 was updated as a result of editorial corrections made by the IASB to IFRSs, and by the AASB to Australian Accounting Standards and Interpretations.

As this interpretation does not apply to directorates and Territory authorities and the amendment was an inconsequential editorial change, this interpretation will not have a material financial impact on directorates or Territory authorities.

### **3.37 AASB Interpretation 4 Determining whether an Arrangement contains a Lease (Appl. 1 Jan 2011)**

AASB Interpretation 4 was updated as a result of editorial corrections made by the IASB to IFRSs, and by the AASB to Australian Accounting Standards and Interpretations.

However the amendment was an inconsequential editorial change and will not have a material financial impact on directorates or Territory authorities.

### **3.38 AASB Interpretation 13 Customer Loyalty Programmes (Appl. 1 Jan 2011)**

AASB Interpretation 13 was updated as a result of editorial corrections made by the IASB to IFRSs, and by the AASB to Australian Accounting Standards and Interpretations.

Customer Loyalty Programmes are usually utilised by entities selling goods and services, as such most ACT directorates and Territory authorities would not engage in such programmes and therefore changes to Interpretation 13 would have no impact.

### **3.39 AASB Interpretation 14 AASB 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Appl. 1 Jan 2011)**

AASB Interpretation 14 was updated as a result of a correction made by the IASB to International Financial Reporting Interpretative Committee (IFRIC) IFRIC 14 to remove an unintended consequence arising from the treatment of prepayments of future contributions in some circumstances when there is a minimum funding requirement.

However directorates and Territory authorities do not have a defined benefit plan, and as such, changes to Interpretation 14 will not have a material financial impact on directorates or Territory authorities.

Therefore the changes made to Interpretation 14 have not been listed below.

### **3.40 AASB Interpretation 16 Hedges of a Net Investment in a Foreign Operation (Appl. 1 Jan 2011)**

AASB Interpretation 16 was updated as a result of editorial corrections made by the IASB to IFRSs, and by the AASB to Australian Accounting Standards and Interpretations.

As this interpretation does not apply to directorates and Territory authorities and the amendment was an inconsequential editorial change this interpretation will not have a material financial impact on directorates or Territory authorities.

#### **3.41 AASB Interpretation 112 Consolidation — Special Purpose Entities (Appl. 1 Jan 2011)**

AASB Interpretation 112 was updated as a result of editorial corrections made by the IASB to IFRSs, and by the AASB to Australian Accounting Standards and Interpretations.

The amendments to this interpretation are minor editorial changes and will have no material financial impact on ACT directorates and Territory authorities when this interpretation is applied..

#### **3.42 AASB Interpretation 115 Operating Leases — Incentives (Appl. 1 Jan 2011)**

AASB Interpretation 115 was updated as a result of editorial corrections made by the IASB to IFRSs, and by the AASB to Australian Accounting Standards and Interpretations.

The amendments to this interpretation are minor editorial changes and will have no material financial impact on ACT directorates and Territory authorities when this interpretation is applied.

#### **3.43 AASB Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease (Appl. 1 Jan 2011)**

AASB Interpretation 127 was updated as a result of editorial corrections made by the IASB to IFRSs, and by the AASB to Australian Accounting Standards and Interpretations.

The amendments to this interpretation are minor editorial changes and will have no material financial impact on ACT directorates and Territory authorities when this interpretation is applied.

#### **3.44 AASB Interpretation 132 Intangible Assets — Web Site Costs (Appl. 1 Jan 2011)**

AASB Interpretation 132 was updated as a result of editorial corrections made by the IASB to IFRSs, and by the AASB to Australian Accounting Standards and Interpretations.

The amendments to this interpretation are minor editorial changes and will have no material financial impact on ACT directorates and Territory authorities when this interpretation is applied.

#### **3.45 AASB Interpretation 1039 Substantive Enactment of Major Tax Bills in Australia (Appl. 1 Jan 2011)**

AASB Interpretation 1039 was updated as a result of editorial corrections made by the IASB to IFRSs, and by the AASB to Australian Accounting Standards and Interpretations.

Most ACT directorates and Territory Authorities do not have to account for income taxes (i.e. those not in the NTER ) and therefore will not have to consider the changes effected in this Interpretation. In any case, the amendments were inconsequential editorial changes and will not have a material financial impact.

**3.46 AASB Interpretation 1042 Subscriber Acquisition Costs in the Telecommunications Industry  
(Appl. 1 Jan 2011)**

AASB Interpretation 1042 was updated as a result of editorial corrections made by the IASB to IFRSs, and by the AASB to Australian Accounting Standards and Interpretations.

The amendments to this interpretation are minor editorial changes and will have no material financial impact on ACT directorates and Territory authorities when this interpretation is applied.

**3.47 AASB Interpretation 1052 Tax Consolidation Accounting (Appl. 1 Jan 2011)**

AASB Interpretation 1052 was updated as a result of editorial corrections made by the IASB to IFRSs, and by the AASB to Australian Accounting Standards and Interpretations.

However the amendment was an inconsequential editorial change and will not have a material financial impact on directorates or Territory authorities.

## ATTACHMENT A

### Background

Attached is a copy of the 'Impact of Accounting Standards Issued but yet to be Applied' disclosure as required by directorates and Territory authorities for inclusion in their 2010-11 Financial Statements. **However, the list of standards needs to be tailored by including only those standards applicable to the agency.** Some standards, (e.g. AASB 5) have two versions for consideration. These versions have two different application dates. If an agency assesses that these standards are applicable to their agency, both versions should be listed in the agency's disclosure.

Please note that the standards and interpretations below are applicable to 'Example Agency'. Standards appearing in pink, were not included in the 2010-11 Model Financial Statements but have been added to this Note 2 (af) disclosure, whereas standards appearing in brown have been removed. A complete list of standards for the consideration of each agency can be found by combining the list below and the list located within the green commentary section. Each standard and interpretation mentioned below, and as appearing in the green commentary section, are discussed in this paper.

AASB 101 para 10 (e)

AASB 108.30 & 31

### Note 2. Summary of Significant Accounting Policies – Continued

#### (af) Impact of Accounting Standards Issued but yet to be Applied

The following new and revised accounting standards and interpretations have been issued by the Australian Accounting Standards Board but do not apply to the current reporting period. These standards and interpretations are applicable to future reporting periods. 'Example Agency' does not intend to adopt these standards and interpretations early. It is estimated that the effect of adopting the below pronouncements, when applicable, will have no material financial impact on 'Example Agency' in future reporting periods:

- AASB 1 First-time Adoption of Australian Accounting Standards (application date 1 Jan 2011);
- AASB 5 Non-current Assets Held for Sale and Discontinued Operations (application date 1 Jan 2011);
- AASB 7 Financial Instruments: Disclosures (application date 1 Jan 2011)
- AASB 9 Financial Instruments (application date 1 Jan 2013);
- AASB 101 Presentation of Financial Statements (application date 1 Jan 2011);
- AASB 107 Statement of Cash Flows (application date 1 Jan 2011);
- AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors (application date 1 Jan 2011);
- AASB 110 Events after the Reporting Period (application date 1 Jan 2011);
- AASB 118 Revenue (application date 1 Jan 2011);
- AASB 119 Employee Benefits (application date 1 Jan 2011);
- AASB 132 Financial Instruments: Presentation (application date 1 Jan 2011);
- AASB 137 Provisions, Contingent Liabilities and Contingent Assets (application date 1 Jan 2011);
- AASB 139 Financial Instruments: Recognition and Measurement (application date 1 Jan 2011);
- AASB 140 Investment Property (application date 1 Jan 2011);
- AASB 1031 Materiality (application date 1 Jan 2011);

**ACT Accounting Policy —AASB Standards issued which are not yet effective  
as at 30 June 2011**

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- AASB 1053 Application of Tiers of Australian Accounting Standards (application date 1 July 2013);
- AASB 1054 Australian Additional Disclosures (application date 1 Jan 2011)
- ~~AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (application date 1 Jan 2013);~~
- AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (application date 1 Jan 2013);
- AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1& AASB 7] (application date 1 Jul 2011);
- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (application date 1 Jan 2013);
- AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, 5, 101, 107, 108, 121, 128, 132, 134 and Interpretations 2, 112 and 113] (application date 1 Jul 2011);
- AASB 2011-2 Amendments to Australian Accounting Standards from the Trans-Tasman Convergence Project — Reduced Disclosure Requirements [AASB 101 and 1054] (application date 1 Jul 2013);
- AASB 2011-3 Amendments to Australian Accounting Standards — Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments [AASB 1049] (application date 1 Jul 2012);
- AASB Interpretation 4 Determining whether an Arrangement contains a lease (application date 1 Jan 2011); ~~and~~
- AASB Interpretation 14 AASB 119 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (application date 1 Jan 2011);
- AASB Interpretation 112 Consolidation — Special Purpose Entities (application date 1 Jan 2011);
- AASB Interpretation 115 Operating Leases — Incentives (application date 1 Jan 2011);
- AASB Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease (application date 1 Jan 2011); and
- AASB Interpretation 132 Intangible Assets — Web Site Costs (application date 1 Jan 2011).

Reference

## Commentary – Note 2: Summary of Significant Accounting Policies

The Model does not contain a complete list of standards issued but not yet applicable. Instead it contains those standards not yet applicable which will apply to most agencies (as at March 2011). This is because agencies do not have to include standards that would never apply to them (e.g. AASB 129 *Financial Reporting in Hyperinflationary Economies*) in their Note 2(af) disclosure. As such, most agencies will be able to simply use the list contained in the model note, however, additional standards may be issued (which are applicable) between April and the end of June and therefore further standards may need to be included in Note 2(af). The Accounting Branch will issue an updated Note 2(af) disclosure in July to assist agencies in picking up additional standards issued in their Note 2(af) disclosure.

For the information of agencies, the additional standards issued but not yet applicable (as at March 2011) which are not included in the Note 2(af) disclosures included in the Model are:

- AASB 3 *Business Combinations* (application date 1 Jan 2011);
- AASB 4 *Insurance Contracts* (application date 1 Jan 2011);
- AASB 8 *Operating Segments* (application date 1 Jan 2011);
- AASB 112 *Income Taxes* (application date 1 Jan 2011);
- AASB 121 *The Effects of Changes in Foreign Exchange Rates* (application date 1 Jan 2011);
- AASB 124 *Related Party Disclosures* (application date 1 Jan 2011);
- AASB 133 *Earnings per Share* (application date 1 Jan 2011);
- AASB 134 *Interim Financial Reporting* (application date 1 Jan 2011);
- AASB 1023 *General Insurance Contracts* (application date 1 Jan 2011);
- AASB 1038 *Life Insurance Contracts* (application date 1 Jan 2011);
- AASB 2010-8 *Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets* [AASB 112] (application date 1 Jan 2012);
- AASB 2010-9 *Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [AASB 1] (application date 1 Jul 2011);
- ~~AASB 2010-10 *Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters* [AASB 2009-11 and 2010-7] (application date 1 Jan 2013);~~
- AASB Interpretation 2 *Members' Shares in Co-operative Entities and Similar Instruments* (application date 1 Jan 2011);
- AASB Interpretation 13 *Customer Loyalty Programmes* (application date 1 Jan 2011);
- AASB Interpretation 16 *Hedges of a Net Investment in a Foreign Operation* (application date 1 Jan 2011);
- AASB Interpretation 1039 *Substantive Enactment of Major Tax Bills in Australia* (application date 1 Jan 2011);
- AASB Interpretation 1042 *Subscriber Acquisition Costs in the Telecommunications Industry* (application date 1 Jan 2011); and
- AASB Interpretation 1052 *Tax Consolidation Accounting* (application date 1 Jan 2011).

Note, it is recommended that agencies review the above standards to ensure they are in fact never going to apply to that agency.