

AASB Standard

AASB 2019-5
November 2019

Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia

[AASB 1054]



Australian Government

**Australian Accounting
Standards Board**

Obtaining a copy of this Accounting Standard

This Standard is available on the AASB website: www.aasb.gov.au.

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BASIS FOR CONCLUSIONS

Australian Accounting Standard AASB 2019-5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia* is set out in paragraphs 1 – 7. All the paragraphs have equal authority.

Preface

Standards amended by AASB 2019-5

This Standard makes amendments to AASB 1054 *Australian Additional Disclosures* (May 2011).

The AASB decided to add an additional disclosure requirement to AASB 1054 on the potential effect on an entity's financial statements of issued IFRS Standards that have not yet been issued by the AASB. This is to ensure that IFRS compliance can be maintained automatically when for-profit publicly accountable entities comply with Australian Accounting Standards.

Main features of this Standard

Main requirements

This Standard makes amendments to AASB 1054 by adding a disclosure requirement for an entity intending to comply with IFRS Standards to disclose the information specified in paragraphs 30 and 31 of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* on the potential effect of an IFRS Standard that has not yet been issued by the AASB. This will ensure that for-profit publicly accountable entities complying with Australian Accounting Standards can assert compliance with IFRS Standards.

Application date

This Standard applies to annual periods beginning on or after 1 January 2020, with earlier application permitted.

Accounting Standard AASB 2019-5

The Australian Accounting Standards Board makes Accounting Standard AASB 2019-5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia* under section 334 of the *Corporations Act 2001*.

Dated 21 November 2019

Kris Peach
Chair – AASB

Accounting Standard AASB 2019-5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*

Objective

- 1 This Standard makes amendments to AASB 1054 *Australian Additional Disclosures* (May 2011) by adding a disclosure requirement for an entity to disclose the information specified in paragraphs 30 and 31 of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* on the potential effect on an entity's financial statements of an IFRS Standard that has not yet been issued by the AASB.

Application

- 2 The amendments set out in this Standard apply to entities and financial statements in accordance with the application of AASB 1054 set out in AASB 1057 *Application of Australian Accounting Standards*.
- 3 This Standard applies to annual periods beginning on or after 1 January 2020. Earlier application of this Standard is permitted.
- 4 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. Amended paragraphs are shown with deleted text struck through and new text underlined.

Amendments to AASB 1054

- 5 Paragraph 5A is amended as follows:
 - 5A Paragraphs 10-~~16~~17 of this Standard do not apply to entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements. Entities applying Australian Accounting Standards – Reduced Disclosure Requirements may elect to comply with some or all of these excluded requirements.
- 6 Paragraph 17 and a related heading are added as follows:

IFRS Standard Not Yet Issued in Australia

- 17 When an IFRS Standard has been issued by the International Accounting Standards Board but the equivalent Australian Accounting Standard has yet to be issued by the AASB, an entity intending to comply with IFRS Standards shall disclose the information specified in paragraphs 30 and 31 of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* in relation to that IFRS Standard.

Commencement of the legislative instrument

- 7 For legal purposes, this legislative instrument commences on 31 December 2019.

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia.

Introduction

BC1 This Basis for Conclusions summarises the Australian Accounting Standards Board’s considerations in reaching the conclusions in this Standard. It sets out the reasons why the Board developed the Standard, the approach taken to developing the Standard and the key decisions made. In making decisions, individual Board members gave greater weight to some factors than to others.

Reasons for issuing this Standard

BC2 In line with the Board’s Key Performance Indicators, when an IFRS Standard is issued by the International Accounting Standards Board (IASB), the Board aims to issue an equivalent Australian Accounting Standard within two months of the release of the IFRS Standard. The Board’s intention is that for-profit publicly accountable entities that comply with Australian Accounting Standards should be able to assert compliance with IFRS Standards.

BC3 The Board noted that, without these amendments, this would not be possible in a situation where an entity’s reporting date falls between the date of the IASB issuing an IFRS Standard and the AASB issuing the corresponding Australian Accounting Standard, as the AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* disclosure requirements would not apply in relation to that IFRS Standard. Under these circumstances, an entity would not be able to assert compliance with IFRS Standards unless it elected to make the disclosures set out in paragraphs 30 and 31 of AASB 108 in relation to that IFRS Standard.

BC4 The Board decided to add an additional disclosure requirement to AASB 1054 *Australian Additional Disclosures* requiring an entity that intends to comply with IFRS Standards to disclose the information in paragraphs 30 and 31 of AASB 108 on the potential effect on the entity’s financial statements of an IFRS Standard that has not yet been issued by the Board. This disclosure requirement will be particularly relevant to for-profit publicly accountable entities seeking IFRS compliance. Not-for-profit entities need not provide the disclosures if they are not able to or are not seeking to comply with IFRS Standards.

BC5 The disclosures set out in paragraphs 30 and 31 are not required of Tier 2 entities under Australian Accounting Standards – Reduced Disclosure Requirements. Similarly, these disclosures are not proposed to be required of Tier 2 entities in Exposure Draft ED 295 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*. Therefore, the Board decided it would be appropriate not to require Tier 2 entities to provide the disclosures in relation to new IFRS Standards not yet issued in Australia. Tier 2 entities preparing general purpose financial statements under the Reduced Disclosure Requirements will not be in compliance with IFRS Standards, and so such entities could not intend to comply with IFRS Standards. Although the disclosure requirement therefore would not apply to Tier 2 entities, the Board decided to make explicit the non-application to Tier 2 entities.

BC6 The Board also noted that the New Zealand equivalent of AASB 1054, Financial Reporting Standard FRS 44 *New Zealand Additional Disclosures*, has been amended similarly in relation to IFRS Standards that have not yet been issued in New Zealand. *The AASB’s For-Profit Entity Standard-Setting Framework* requires that, wherever possible, differences between accounting standards issued in Australia and New Zealand should be minimised to reduce costs for entities operating trans-Tasman.

Issue of Fatal-Flaw Review version

BC7 In October 2019, the Board issued a Fatal-Flaw Review version of the amendment for public comment with a two-week comment period. The Board decided to provide only a short comment period as it considered the matter was straightforward and not controversial. The Board received one submission on the Fatal-Flaw Review version. The Board considered the feedback received and decided that the proposed amending Standard did not require amendment and that further due process was not needed. Accordingly, the Board finalised the amending Standard to add the disclosure requirement to AASB 1054.