AASB Exposure Draft

ED 192
February 2010

Revised Differential Reporting Framework

Comments to the AASB by 23 April 2010

Australian Government
Australian Accounting Standards Board

Commenting on this AASB Exposure Draft

Comments on this Exposure Draft are requested by 23 April 2010. Comments are required by this date in order to provide the AASB with sufficient time to finalise the project for early application to June 2010 year ends. The AASB also issued a draft Consultation Paper titled *Differential Financial Reporting – Reduced Disclosure Requirements* on 4 December 2009. The Consultation Paper has now been finalised. This Exposure Draft and the Consultation Paper are complementary and should be read together. Specific questions on this Exposure Draft and the Consultation Paper are included in this Exposure Draft.

Comments should be addressed to:

The Chairman
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Collins Street West Victoria 8007
AUSTRALIA
E-mail: standard@aasb.gov.au

All submissions on possible, proposed or existing financial reporting requirements, or on the standard-setting process, will be placed on the public record unless the Chairman of the AASB agrees to those submissions being treated as confidential. The latter will only occur if the public interest warrants such treatment.

Obtaining a Copy of this AASB Exposure Draft

This Exposure Draft is available on the AASB website: www.aasb.gov.au. Alternatively, printed copies of this Exposure Draft are available by contacting:

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EXPOSURE DRAFT ED 192: REVISED DIFFERENTIAL REPORTING FRAMEWORK

Background

Australian Accounting Standards

1 The Australian Accounting Standards Board (AASB) makes Australian Accounting Standards, including Interpretations, to be applied to general purpose financial statements (GPFSs).

2 The current Australian Accounting Standards incorporate International Financial Reporting Standards (IFRSs), including Interpretations, issued by the International Accounting Standards Board (IASB), with the addition of paragraphs on the applicability of each Standard in the Australian environment.

3 The current Australian Accounting Standards also include requirements that are specific to Australian entities. These requirements may be located in Australian Accounting Standards that incorporate IFRSs or in other Australian Accounting Standards. In most instances, these requirements are either restricted to the not-for-profit private or public sectors or include additional disclosures that address domestic regulatory or other issues.

4 In developing requirements for public sector entities, the AASB considers the requirements of International Public Sector Accounting Standards (IPSASs), as issued by the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants.

5 The current Australian Accounting Standards[1] are referred to in this Exposure Draft as ‘full IFRSs as adopted in Australia’ to distinguish them from the Reduced Disclosure Regime (RDR) that would constitute the second tier of GPFS reporting requirements that is proposed in the AASB Consultation Paper *Differential Financial Reporting – Reducing Disclosure Requirements* and this Exposure Draft. With the establishment of the RDR, Australian Accounting Standards would consist of two tiers of reporting requirements for preparing GPFSs:

1 The current Australian Accounting Standards incorporate International Financial Reporting Standards (IFRSs) and include modifications for not-for-profit entity specific issues and also includes other domestic standards dealing with domestic and not-for-profit issues.

Tier 1: Full IFRSs as adopted in Australia; and

Tier 2: Reduced Disclosure Regime.

Private sector for-profit entities complying with Tier 1 would simultaneously comply with IFRSs. Many other entities complying with Tier 1 would also simultaneously comply with IFRSs.

Exposure Drafts

6 The publication of an Exposure Draft is part of the due process that the AASB follows before making a new or amending an existing Australian Accounting Standard or other pronouncement. Exposure Drafts are designed to seek public comment on the AASB's proposals for new Australian Accounting Standards or other pronouncements or amendments to existing Australian Accounting Standards or other pronouncements.

Consultation Process

7 The AASB Consultation Paper *Differential Financial Reporting – Reducing Disclosure Requirements* notes:

> "In releasing this Consultation Paper, the AASB is taking the approach of exposing a proposed Reduced Disclosure Regime for comment and an Exposure Draft showing how the regime is intended to apply. If the proposed regime is adopted, the AASB would hope to be able to issue a final pronouncement before the end of June 2010 and to allow early adoption. It is the prospect of early application that is driving this consultation approach. However, it must be stressed that the AASB is open to alternative views. If the consultation process leads to an alternative approach, it may be that more due process will be needed and a different time scale adopted."

Draft components of this Exposure Draft were posted on the AASB website in December 2009 to provide constituents with information about the Reduced Disclosure Regime proposed in the Consultation Paper. This Exposure Draft and the Consultation Paper are complementary and should be read together. Specific questions on this Exposure Draft and the Consultation Paper are included in this Exposure Draft.

Reasons for Issuing this Exposure Draft

8 This Exposure Draft is a further step in the ongoing consultation process on a proposed revised differential reporting framework that the Board commenced in 2007. The purpose of this Exposure Draft is to

invite comment from constituents on a proposed revised differential reporting framework that, as noted above, would include the Reduced Disclosure Regime (RDR), as a second tier of reporting requirements for preparing GPFSs. The first tier is full IFRSs as adopted in Australia**.**

9 The project is expected to result in:

(a) a Standard setting out the application of Tier 1 and Tier 2 GPFS reporting requirements; and

(b) changes to most existing Standards to show the disclosure requirements under Tier 2 (the RDR).

10 The project is expected to also result in amendments to the AASB Conceptual Framework, in particular SAC 1 *Definition of the Reporting Entity* and SAC 2 *Objective of General Purpose Financial Reporting* in relation to the role of the reporting entity concept and the meaning of GPFSs in an Australian context. Such amendments, together with other possible amendments to the AASB Conceptual Framework arising from the revised IASB Conceptual Framework and the IPSASB Conceptual Framework, will be made in due course.

Consultation to Date

(a) ITC 12 (May 2007)

11 In May 2007, the AASB released Invitation to Comment 12 *Request for Comment on a Proposed Revised Differential Reporting Regime for Australia and IASB Exposure Draft of A Proposed IFRS for Small and Medium-sized Entities* (ITC 12).

12 ITC 12 proposed that for-profit private sector entities that have public accountability as defined by the IASB should apply full IFRSs as adopted in Australia and that for-profit private sector entities that do not have public accountability and exceed nominated size thresholds should also apply full IFRSs as adopted in Australia. In relation to not-for-profit private and public sector entities, size thresholds were proposed to identify entities that should apply full IFRSs as adopted in Australia and those that should apply a second tier of GPFS reporting requirements such as the International Financial Reporting Standard for Small and Medium-sized Entities (*IFRS for SMEs*).

13 In general, constituents' responses to ITC 12 did not favour the use of quantitative thresholds for determining which entities could apply either full IFRSs as adopted in Australia or the *IFRS for SMEs* on the basis that setting those thresholds is likely to be an arbitrary exercise with no conceptual basis.

14 There was support for using public accountability as defined by the IASB as a distinguishing factor for the for-profit private sector. Applying a similar concept in the not-for-profit public sector and not-for-profit private sector was seen as being problematic since all types of entities in those sectors are often considered to have public accountability in the general sense of that term.

15 ITC 12 also sought to clarify the meaning of GPFSs in an Australian context and proposed that financial statements on a public register, or otherwise made available to the public at large, should be regarded as GPFSs. Constituents generally commented that a key feature of GPFSs is the existence of dependent users.

(b) Consultation Paper (December 2009)

16 The AASB issued a draft Consultation Paper titled *Differential Financial Reporting – Reduced Disclosure Requirements* on 4 December 2009. The Draft Consultation Paper has now been finalised and should be read in conjunction with this Exposure Draft. The Consultation Paper proposes a Reduced Disclosure Regime (RDR) as a second tier of GPFS reporting requirements instead of the *IFRS for SMEs* that was proposed under ITC 12. The RDR involves recognition and measurement requirements of full IFRSs, as already adopted in Australia, with disclosures substantially reduced compared with those that would be required under full IFRSs as adopted in Australia.

17 The AASB Consultation Paper includes background material on the RDR. It sets out why the proposed RDR is more appropriate, at least at this time, than the *IFRS for SMEs* for the Australian environment on cost-benefit and user needs grounds and in view of the transaction neutrality policy applicable between the private and public sectors in Australian Accounting Standards. However, the proposed RDR uses the principles used by the IASB, when preparing the *IFRS for SMEs*, in determining the proposed reductions in disclosures.

Proposals of this Exposure Draft

18 This Exposure Draft proposes**:**

(a) a revised differential reporting framework consisting of two tiers of reporting requirements for preparing GPFSs:

Tier 1: Full IFRSs as adopted in Australia; and
Tier 2: The RDR;

(b) disclosures to be required under Tier 2;

(c) that publicly accountable for-profit private sector entities should apply Tier 1, and non-publicly accountable for-profit private sector entities have a choice of applying Tier 1 or Tier 2;

(d) that not-for-profit private sector entities should have a choice of applying Tier 1 or Tier 2;

(e) that public sector entities should have a choice of applying Tier 1 or Tier 2, except :

(i) Federal, State and Territory Governments;
(ii) Local Governments; and
(iii) Universities;

that should apply Tier 1;

(f) a definition of 'public accountability' based on the IASB's definition, supplemented with additional examples of publicly accountable entities from an Australian perspective;

(g) a clarification of the meaning of GPFSs and modifying the way the reporting entity concept is used; and

(h) transitional provisions for entities applying Tier 1 or Tier 2 for the first time and moving between Tiers.

19 While Tier 2 requirements would be available to all not-for-profit private sector entities and public sector entities other than those required to apply Tier 1, regulators have the power to require the application of Tier 1 requirements by entities they regulate.

20 The AASB may decide to change the categories of entities that will be subject to Tier 1, particularly those in the public sector, pending the deliberation of constituents' comments on its Consultation Paper and Exposure Draft proposals**.**

21 The table below summarises the AASB's revised differential reporting framework.

<table>
<tr><th rowspan="2"></th><th colspan="3">Sector</th></tr>
<tr><th>For-profit private</th><th>Not-for-profit private</th><th>For-profit and not-for-profit public</th></tr>
<tr><td>Tier 1

Full IFRSs as adopted in Australia</td><td>Publicly accountable (per IASB definition, with additional examples of publicly accountable entities in the Australian context—see paragraph 26 below)</td><td rowspan="2">All NFP private sector entities have a choice of applying Tier 1 or Tier 2 requirements unless the relevant regulator requires application of Tier 1</td><td>Federal, State and Territory Governments, Local Governments, and Universities</td></tr>
<tr><td>Tier 2

Reduced Disclosure Regime (entities may choose to apply Tier 1, that is, full IFRSs as adopted in Australia)</td><td>Non-publicly accountable</td><td>Entities other than Tier 1 entities noted above, unless the relevant regulator requires application of Tier 1</td></tr>
</table>

Application

22 It is proposed that the pronouncement(s) arising from this Exposure Draft be applicable to annual reporting periods beginning on or after 1 July 2012. It is proposed that early adoption of the reporting requirements be permitted.

23 Entities applying the RDR would state compliance with Tier 2 of Australian Accounting Standards and would not be able to state compliance with (full) IFRSs.

Definitions

24 The following terms are proposed for the purposes of this Exposure Draft with the meaning specified:

General purpose financial statements (referred to as 'financial statements') are those intended to meet the needs of users who are not in a position to require an entity to prepare reports tailored to their particular information needs. *[AASB 101, unamended]*

Preparation in accordance with Australian Accounting Standards means application of all applicable Australian Accounting Standards in a particular Tier and not a subset of them.

Public accountability means accountability to those existing and potential resource providers and others external to the entity who make economic decisions but are not in a position to demand reports tailored to meet their particular information needs.

A <u>for-profit private sector</u> entity has public accountability if:

(a) its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or

(b) it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. This is typically the case for banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks. *[IFRS for SMEs Glossary, changes underlined]*

Reporting entity means an entity in respect of which it is reasonable to expect the existence of users who rely on the entity's general purpose financial statements for information that will be useful to them for making and evaluating decisions about the allocation of resources. A reporting entity can be a single entity or a group comprising a parent and all of its subsidiaries. *[AASB 101, unamended]*

Public accountability

25 Public accountability is defined in paragraph 24. The notion of public accountability is consistent with the notion adopted by the IASB in its International Financial Reporting Standard for Small and Medium-sized Entities (*IFRS for SMEs*). This notion is different from the notion of public accountability in the general sense of the term that is often employed in relation to not-for-profit entities.

26 To clarify the application of the IASB notion of public accountability in an Australian context, the following are additional examples of entities having public accountability:

(a) disclosing entities, even if their debt or equity instruments are not traded in a public market or are not in the process of being issued for trading in a public market;

(b) cooperatives that issue debentures;

(c) registered managed investment schemes;

(d) superannuation plans registered with the Australian Prudential Regulation Authority; and

(e) Authorised Deposit-taking Institutions**.**

General Purpose Financial Statements

27 GPFSs are defined in paragraph 24. Financial statements that satisfy the following two conditions are GPFSs:

(i) they are publicly available, whether under a legal mandate or voluntarily and

(ii) they are either:

(A) prepared in accordance with Australian Accounting Standards under a legal mandate or held out to be so prepared; or

(B) required to be GPFSs under a legal mandate or held out to be GPFSs.

28 Financial statements held out as having been prepared in accordance with Australian Accounting Standards or held out as being GPFSs to any party are GPFSs. This is because there is an expectation that financial statements held out as GPFSs would be relied upon by users to make economic decisions and should, therefore, faithfully report what is expected to be reported in GPFSs.

29 The phrase 'Australian Accounting Standards' in paragraph 27 is taken to be a reference to Tier 1 GPFS reporting requirements or Tier 2 GPFS reporting requirements.

30 As defined in paragraph 24, the phrase 'preparation in accordance with Australian Accounting Standards' means the application of all applicable Accounting Standards in a particular Tier and not a subset of them.

31 Financial statements required to be prepared under a legal mandate in accordance with Australian Accounting Standards and lodged on a public register, such as that of the Australian Securities and Investments Commission (ASIC), are GPFSs.

Special purpose financial statements

32 Financial statements that are not GPFSs are special purpose financial statements (SPFSs) and would not fall within the ambit of Australian Accounting Standards. SPFSs are prepared only for use by users who can command financial information to satisfy their specific needs. It is those users, rather than the AASB, who identify relevant reporting requirements for preparing SPFSs.

The Role of the Reporting Entity Concept

33 Currently the reporting entity concept is used to identify when an entity should prepare GPFSs and to circumscribe the boundaries of that entity. It is also currently employed operationally in application clauses of Australian Accounting Standards for differential reporting purposes in Australia. Under existing requirements, reporting entities must apply all full IFRSs as adopted in Australia and non-reporting entities may apply a subset of them[2].

34 Under the revised differential reporting framework, the reporting entity concept would no longer be used to operationalise differential reporting and the focus of application of Australian Accounting Standards (whether Tier 1 or Tier 2) would move from 'reporting entity' to 'GPFSs'.

35 The AASB retains the reporting entity concept as the underpinning concept for GPFS requirements and will continue to use it as the basis for its own deliberations in the future. The reporting entity concept is expected to be used as a benchmark by other regulators in identifying entities that should prepare GPFSs (whether Tier 1 or Tier 2) and those that need not.

Disclosures under the Reduced Disclosure Regime

36 The AASB has used the following approach to determine disclosures under the RDR[3]:

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2 AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows*, and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* apply to each entity that is required to prepare financial statements in accordance with Part 2M.3 of the *Corporations Act 2001* regardless of whether the entity is a reporting entity.

3 Alternative approaches to determining disclosures under the Reduced Disclosure Regime are considered in the AASB Consultation Paper, Appendix 3.

(a) following the *IFRS for SMEs* approach to reduce disclosures in cases where the recognition and measurement requirements under the proposed RDR align with those available under the *IFRS for SMEs*; and

(b) applying the 'user need' and 'cost-benefit' principles of the *IFRS for SMEs* (that is, the same principles used by the IASB in determining disclosures under the *IFRS for SMEs*) to arrive at reduced disclosure requirements in cases where the recognition and measurement requirements under the RDR differ from those under the *IFRS for SMEs*.

37 Disclosures under the RDR are the minimum disclosures required to be included in GPFSs. Entities would be able to include additional disclosures using requirements in full IFRSs as adopted in Australia as a guide if, in their judgement, such additional disclosures are consistent with the objective of GPFSs.

38 Appendix A to this Exposure Draft contains the proposed reduced disclosures under the RDR. Appendix B to this Exposure Draft identifies full IFRSs as adopted in Australia that are excluded from the RDR on the grounds that they are applicable to Tier 1 entities only and those that are also applicable to Tier 2 entities without amendment. Appendix C to this Exposure Draft sets out the principles applied in determining disclosures under the RDR together with analyses of the proposed disclosures.

Transitional provisions

39 It is proposed that some of the disclosure requirements in AASB 1 *First-time Adoption of Australian Accounting Standards* will be excluded from the RDR. Accordingly, entities adopting Tier 2 requirements for the first time that are required to apply AASB 1 would only need to make the reduced disclosures in AASB 1, set out in Appendix A.

40 The following would apply in adopting Tier 1 or Tier 2 for the first time or when moving between the two Tiers.

(a) entities currently preparing special purpose financial statements (SPFSs) and not applying the recognition and measurement requirements of full IFRSs as adopted in Australia would apply AASB 1 on transition to Tier 1 or Tier 2;

(b) entities currently preparing SPFSs and applying the recognition and measurement requirements of full IFRSs as adopted in Australia, including having used the recognition and measurement requirements of AASB 1, would not use AASB 1 on transition to Tier 2;

(c) entities currently preparing SPFSs and applying the recognition and measurement requirements of full IFRSs as adopted in Australia, including having used the recognition and measurement requirements of AASB 1, would use AASB 1 on transition to Tier 1;

(d) entities currently preparing SPFSs and applying the recognition and measurement requirements of selected full IFRSs as adopted in Australia would apply AASB 1 on transition to Tier 1 or Tier 2;

(e) for-profit private sector entities transitioning from Tier 2 to Tier 1 would apply AASB 1 in order to claim (full) IFRS compliance. Not-for–profit entities transitioning from Tier 2 to Tier 1 may elect to use AASB 1 if they want to claim (full) IFRS compliance; and

(f) entities transitioning from Tier 1 to Tier 2 would not apply AASB 1.

41 An entity's first financial statements under Tier 2 are the first annual financial statements in which the entity adopts the RDR, by an explicit and unreserved statement in those financial statements of compliance with the Tier 2 requirements of Australian Accounting Standards for GPFSs. Entities applying the RDR would state compliance with Tier 2 of Australian Accounting Standards and would not be able to state compliance with (full) IFRSs.

Updating Process

42 The RDR is to be maintained on a continuous basis, rather than waiting for the IASB to update its *IFRS for SMEs*, which is planned to take place only every few years, by which time there would be an accumulation of possible changes. Each future Exposure Draft or Invitation to Comment involving changes to Tier 1 that includes disclosure requirements would seek comment about which disclosures should be included in the RDR, and if time permits, would include the AASB's proposed reduced disclosures.

Trans-Tasman Convergence

43 In formulating its Reduced Disclosure Regime, the AASB will strive for a common solution with New Zealand, consistent with the Outcome Proposals agreed as part of a Joint Statement of Intent signed by the

Australian and New Zealand Prime Ministers in August 2009 in relation to a Single Economic Market Initiative.

Consequential Amendments

44 Consequential amendments to Australian Accounting Standards and other pronouncements arising from this Exposure Draft include:

(a) the application Aus paragraphs in existing Australian Accounting Standards would be deleted under the revised differential reporting framework. Instead a separate Application Standard would identify the entities required or permitted to apply the Tier 1 or Tier 2 GPFS requirements, and include the relevant definitions proposed in this Exposure Draft. The disclosure requirements under each Tier would be made evident in each Australian Accounting Standard;

(b) paragraph Aus15.4 will be deleted from AASB 101 *Presentation of Financial Statements*; and

(c) changes would be made to the AASB Conceptual Framework, in particular SAC 1 *Definition of the Reporting Entity* and SAC 2 *Objective of General Purpose Financial Reporting* in relation to the role of the reporting entity concept and the meaning of GPFSs in an Australian context.

Request for Comments

45 Comments are invited on any of the proposals in this Exposure Draft and the Consultation Paper by 23 April 2010. The AASB would prefer that respondents express a clear overall opinion on whether the proposals, as a whole, are supported and that this opinion be supplemented by detailed comments, whether supportive or critical on the major issues. The AASB regards supportive and critical comments as essential to a balanced review of the issues and will consider all submissions, whether they address all specific matters, additional issues or only one issue.

Specific Matters for Comment

46 The AASB would particularly value comments on the following:

(a) whether you agree with the introduction of a second tier of reporting requirements for preparing general purpose financial statements (GPFSs) for:

(i) for-profit private sector entities that do not have public accountability;

(ii) not-for-profit private sector entities; and

(iii) public sector entities other than those required by the AASB to apply Tier 1?

If not, and you support differential reporting, what other classifications of entities do you think would be more appropriate for differential reporting and why?

(b) whether you agree that entities within the second tier should be able to apply the proposed reduced disclosure regime, which retains the recognition and measurement requirements of full IFRSs or would you prefer another approach (e.g. *IFRS for SMEs*)? If you prefer the *IFRS for SMEs*, what do you consider to be the specific advantages of the individual differences of recognition and measurement requirements in the *IFRS for SMEs* compared with full IFRSs?

(c) the definition of public accountability (which is used to identify those for-profit entities that must apply Tier 1) and whether there are categories of entities in the Australian environment that should be cited as examples of publicly accountable entities other than those already identified in paragraph 26;

(d) whether you would require any other classes of public sector entities, such as Government Departments, Government Business Enterprises or Statutory Authorities, to be always categorised as 'Tier 1' reporting entities and, if so, the basis for your view;

(e) the clarification of the meaning of GPFSs and modifying the way the reporting entity concept is used;

(f) the extent and nature of the proposed disclosures under the RDR (Tier 2), including whether the RDR would be effective in reducing sufficiently the disclosure burden on entities in preparing their GPFSs;

(g) any particular disclosure requirements that:

(i) have been retained in the RDR that you consider should be excluded from the RDR, and your reasons for exclusion;

(ii) have been excluded from the RDR that you consider should be retained, and your reasons for retention;

(h) transitional provisions for entities applying Tier 1 or Tier 2 for the first time and moving between Tiers;

(i) whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals;

(j) whether, overall, the proposals would result in reducing the costs of preparing GPFSs that would remain useful to users; and

(k) whether the proposals are in the best interest of the Australian economy.

APPENDIX A

PROPOSED DISCLOSURES UNDER THE REDUCED DISCLOSURE REGIME

This appendix is an integral part of the proposals in this Exposure Draft.

CONTENTS

PROPOSED DISCLOSURES UNDER THE REDUCED DISCLOSURE REGIME

AASB 1 *First-time adoption of Australian Accounting Standards*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 1 *First-time adoption of Australian Accounting Standards* (2009), showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

22 Some entities present historical summaries of selected data for periods before the first period for which they present full comparative information in accordance with Australian Accounting Standards. This Standard does not require such summaries to comply with the recognition and measurement requirements of Australian Accounting Standards. Furthermore, some entities present comparative information in accordance with previous GAAP as well as the comparative information required by AASB 101. In any financial statements containing historical summaries or comparative information in accordance with previous GAAP, an entity shall:

(a) label the previous GAAP information prominently as not being prepared in accordance with Australian Accounting Standards; and

(b) disclose the nature of the main adjustments that would make it comply with Australian Accounting Standards. An entity need not quantify those adjustments.

Explanation of transition to Australian Accounting Standards

23 An entity shall explain how the transition from previous GAAP to Australian Accounting Standards affected its reported financial position, financial performance and cash flows.

Reconciliations

24 To comply with paragraph 23, an entity's first Australian-Accounting-Standards financial statements shall include:

(a) reconciliations of its equity reported in accordance with previous GAAP to its equity in accordance with Australian Accounting Standards for both of the following dates:

    (i) the date of transition to Australian Accounting Standards; and

    (ii) the end of the latest period presented in the entity's most recent annual financial statements in accordance with previous GAAP.

(b) a reconciliation to its total comprehensive income in accordance with Australian Accounting Standards for the latest period in the entity's most recent annual financial statements. The starting point for that reconciliation shall be total comprehensive income in accordance with previous GAAP for the same period or, if an entity did not report such a total, profit or loss under previous GAAP.

(c) if the entity recognised or reversed any impairment losses for the first time in preparing its opening Australian-Accounting-Standards statement of financial position, the disclosures that AASB 136 *Impairment of Assets* would have required if the entity had recognised those impairment losses or reversals in the period beginning with the date of transition to Australian Accounting Standards.

25 The reconciliations required by paragraph 24(a) and (b) shall give sufficient detail to enable users to understand the material adjustments to the statement of financial position and statement of comprehensive income. If an entity presented a statement of cash flows under its previous GAAP, it shall also explain the material adjustments to the statement of cash flows.

26 If an entity becomes aware of errors made under previous GAAP, the reconciliations required by paragraph 24(a) and (b) shall distinguish the correction of those errors from changes in accounting policies.

27 AASB 108 does not deal with changes in accounting policies that occur when an entity first adopts Australian Accounting Standards. Therefore, AASB 108's requirements for disclosures about changes in accounting policies do not apply in an entity's first Australian-Accounting-Standards financial statements.

28 If an entity did not present financial statements for previous periods, its first Australian-Accounting-Standards financial statements shall disclose that fact.

Designation of financial assets or financial liabilities

29 An entity is permitted to designate a previously recognised financial asset or financial liability as a financial asset or financial liability at fair value through profit or loss or a financial asset as available for sale in accordance with paragraph D19. The entity shall disclose the fair value of financial assets or financial liabilities designated into each category at the date of designation and their classification and carrying amount in the previous financial statements.

Use of fair value as deemed cost

30 If an entity uses fair value in its opening Australian-Accounting-Standards statement of financial position as *deemed cost* for an item of property, plant and equipment, an investment property or an intangible asset (see paragraphs D5 and D7), the entity's first Australian-Accounting-Standards financial statements shall disclose, for each line item in the opening Australian-Accounting-Standards statement of financial position:

(a) the aggregate of those fair values; and

(b) the aggregate adjustment to the carrying amounts reported under previous GAAP.

Use of deemed cost for investments in subsidiaries, jointly controlled entities and associates

31 Similarly, if an entity uses a deemed cost in its opening Australian-Accounting-Standards statement of financial position for an investment in a subsidiary, jointly controlled entity or associate in its separate financial statements (see paragraph D15), the entity's first Australian-Accounting-Standards separate financial statements shall disclose:

(a) the aggregate deemed cost of those investments for which deemed cost is their previous GAAP carrying amount;

(b) the aggregate deemed cost of those investments for which deemed cost is fair value; and

(c) the aggregate adjustment to the carrying amounts reported under previous GAAP.

Interim financial reports

32 To comply with paragraph 23, if an entity presents an interim financial report in accordance with AASB 134 for part of the period covered by its first Australian-Accounting-Standards financial statements, the entity shall satisfy the following requirements in addition to the requirements of AASB 134:

(a) Each such interim financial report shall, if the entity presented an interim financial report for the comparable interim period of the immediately preceding financial year, include:

(i) a reconciliation of its equity in accordance with previous GAAP at the end of that comparable interim period to its equity under Australian Accounting Standards at that date; and

(ii) a reconciliation to its total comprehensive income in accordance with Australian Accounting Standards for that comparable interim period (current and year to date). The starting point for that reconciliation shall be total comprehensive income in accordance with previous GAAP for that period or, if an entity did not report such a total, profit or loss in accordance with previous GAAP.

(b) In addition to the reconciliations required by (a), an entity's first interim financial report in accordance with AASB 134 for part of the period covered by its first Australian-Accounting-Standards financial statements shall include the reconciliations described in paragraph 24(a) and (b) (supplemented by the details required by paragraphs 25 and 26) or a cross reference to another published document that includes these reconciliations.

33 AASB 134 requires minimum disclosures, which are based on the assumption that users of the interim financial report also have access to the most recent annual financial statements. However, AASB 134 also requires an entity to disclose 'any events or transactions that are material to an understanding of the current interim period'. Therefore, if a first-time adopter did not, in its most recent annual financial

statements in accordance with previous GAAP, disclose information material to an understanding of the current interim period, its interim financial report shall disclose that information or include a cross-reference to another published document that includes it.

AASB 2 *Share-based Payment*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 2 *Share-based Payment*, showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

44 An entity shall disclose information that enables users of the financial statements to understand the nature and extent of share-based payment arrangements that existed during the period.

45 To give effect to the principle in paragraph 44, the entity shall disclose at least the following:

(a) a description of each type of share-based payment arrangement that existed at any time during the period, including the general terms and conditions of each arrangement, such as vesting requirements, the maximum term of options granted, and the method of settlement (e.g. whether in cash or equity). An entity with substantially similar types of share-based payment arrangements may aggregate this information, unless separate disclosure of each arrangement is necessary to satisfy the principle in paragraph 44;

(b) the number and weighted average exercise prices of share options for each of the following groups of options:

(i) outstanding at the beginning of the period;

(ii) granted during the period;

(iii) forfeited during the period;

(iv) exercised during the period;

(v) expired during the period;

(vi) outstanding at the end of the period; and

(vii) exercisable at the end of the period;

(c) for share options exercised during the period, the weighted average share price at the date of exercise. If options were exercised on a regular basis throughout the period, the entity may instead disclose the weighted average share price during the period; and

(d) for share options outstanding at the end of the period, the range of exercise prices and weighted average remaining contractual life. If the range of exercise prices is wide, the outstanding options shall be divided into ranges that are meaningful for assessing the number and timing of additional shares that may be issued and the cash that may be received upon exercise of those options.

46 An entity shall disclose information that enables users of the financial statements to understand how the fair value of the goods or services received, or the fair value of the equity instruments granted, during the period was determined.

RDR46.1 For equity-settled share-based payment arrangements, an entity applying the Reduced Disclosure Regime shall disclose information about how it measured the fair value of goods or services received or the value of the equity instruments granted. If a valuation methodology was used, the entity shall disclose the method and its reason for choosing it.

RDR46.2 For cash-settled share-based payment arrangements, an entity applying the Reduced Disclosure Regime shall disclose information about how the liability was measured.

47 If the entity has measured the fair value of goods or services received as consideration for equity instruments of the entity indirectly, by reference to the fair value of the equity instruments granted, to give effect to the principle in paragraph 46, the entity shall disclose at least the following:

(a) for share options granted during the period, the weighted average fair value of those options at the measurement date and information on how that fair value was measured, including:

(i) the option pricing model used and the inputs to that model, including the weighted average share price, exercise price, expected volatility, option life, expected dividends, the risk-free interest rate and any other inputs to the model, including the method used and the assumptions made to incorporate the effects of expected early exercise;

(ii) how expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility; and

(iii) whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition;

(b) for other equity instruments granted during the period (i.e. other than share options), the number and weighted average fair value of those equity instruments at the measurement date, and information on how that fair value was measured, including:

(i) if fair value was not measured on the basis of an observable market price, how it was determined;

(ii) whether and how expected dividends were incorporated into the measurement of fair value; and

(iii) whether and how any other features of the equity instruments granted were incorporated into the measurement of fair value; and

(c) for share-based payment arrangements that were modified during the period:

(i) an explanation of those modifications;

(ii) the incremental fair value granted (as a result of those modifications); and

(iii) information on how the incremental fair value granted was measured, consistently with the requirements set out in (a) and (b) above, where applicable.

48 If the entity has measured directly the fair value of goods or services received during the period, the entity shall disclose how that fair value was determined, for example, whether fair value was measured at a market price for those goods or services.

49 If the entity has rebutted the presumption in paragraph 13, it shall disclose that fact, and give an explanation of why the presumption was rebutted.

50 An entity shall disclose information that enables users of the financial statements to understand the effect of share-based payment transactions on the entity's profit or loss for the period and on its financial position.

RDR50.1 An entity applying the Reduced Disclosure Regime shall disclose the following information about the effect of share-based payment transactions on the entity's profit or loss for the period and on its financial position:

- **(a) the total expense recognised in profit or loss for the period.**
- **(b) the total carrying amount at the end of the period for liabilities arising from share-based payment transactions.**

51 To give effect to the principle in paragraph 50, the entity shall disclose at least the following:

- (a) the total expense recognised for the period arising from share-based payment transactions in which the goods or services received did not qualify for recognition as assets and hence were recognised immediately as an expense, including separate disclosure of that portion of the total expense that arises from transactions accounted for as equity-settled share-based payment transactions; and
- (b) for liabilities arising from share-based payment transactions:
  - (i) the total carrying amount at the end of the period; and
  - (ii) the total intrinsic value at the end of the period of liabilities for which the counterparty's right to cash or other assets had vested by the end of the period (e.g. vested share appreciation rights).

52 If the information required to be disclosed by this Standard does not satisfy the principles in paragraphs 44, 46 and 50, the entity shall disclose such additional information as is necessary to satisfy them.

AASB 3 *Business Combinations*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 3 *Business Combinations*, showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

Disclosure

59 **The acquirer shall disclose information that enables users of its financial statements to evaluate the nature and financial effect of a business combination that occurs either:**

- **(a) during the current reporting period; or**
- **(b) after the end of the reporting period but before the financial statements are authorised for issue.**

60 To meet the objective in paragraph 59, the acquirer shall disclose the information specified in paragraphs B64-B66.

B64 To meet the objective in paragraph 59, the acquirer shall disclose the following information for each business combination that occurs during the reporting period:

- (a) the name and a description of the acquiree.
- (b) the acquisition date.
- (c) the percentage of voting equity interests acquired.
- (d) the primary reasons for the business combination and a description of how the acquirer obtained control of the acquiree.
- (e) a qualitative description of the factors that make up the goodwill recognised, such as expected synergies from combining operations of the acquiree and the acquirer, intangible assets that do not qualify for separate recognition or other factors.

(f)[4] the acquisition-date fair value of the total consideration transferred and the acquisition-date fair value of each major class of consideration, such as:

(i) cash;

(ii) other tangible or intangible assets, including a business or subsidiary of the acquirer;

(iii) liabilities incurred, for example, a liability for contingent consideration; and

(iv) equity interests of the acquirer, including the number of instruments or interests issued or are usable and the method of determining the fair value of those instruments or interests.

(g) for contingent consideration arrangements and indemnification assets:

(i) the amount recognised as of the acquisition date;

(ii) a description of the arrangement and the basis for determining the amount of the payment; and

(iii) an estimate of the range of outcomes (undiscounted) or, if a range cannot be estimated, that fact and the reasons why a range cannot be estimated. If the maximum amount of the payment is unlimited, the acquirer shall disclose that fact.

(h) for acquired receivables:

(i) the fair value of the receivables

(ii) the gross contractual amounts receivable; and

(iii) the best estimate at the acquisition date of the contractual cash flows not expected to be collected.

The disclosures shall be provided by major class of receivable, such as loans, direct finance leases and any other class of receivables.

4 Para. 26.19 of *IFRS for SMEs* states that "For each business combination that was effected during the period, the acquirer shall disclose the following: … (e) the amounts recognised at the acquisition date for each class of the acquiree's assets, liabilities and contingent liabilities, including goodwill…"

(i) the amounts recognised as of the acquisition date for each major class of assets acquired and liabilities assumed.

(j) for each contingent liability recognised in accordance with paragraph 23, the information required in paragraph 85 of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. If a contingent liability is not recognised because its fair value cannot be measured reliably, the acquirer shall disclose:

   (i) the information required by paragraph 86 of AASB 137; and

   (ii) the reasons why the liability cannot be measured reliably.

(k) the total amount of goodwill that is expected to be deductible for tax purposes.

(l) for transactions that are recognised separately from the acquisition of assets and assumption of liabilities in the business combination in accordance with paragraph 51:

   (i) a description of each transaction;

   (ii) how the acquirer accounted for each transaction;

   (iii) the amounts recognised for each transaction and the line item in the financial statements in which each amount is recognised; and

   (iv) if the transaction is the effective settlement of a pre-existing relationship, the method used to determine the settlement amount.

(m) the disclosure of separately recognised transactions required by (l) shall include the amount of acquisition-related costs and, separately, the amount of those costs recognised as an expense and the line item or items in the statement of comprehensive income in which those expenses are recognised. The amount of any issue costs not recognised as an expense and how they were recognised shall also be disclosed.

(n) in a bargain purchase (see paragraphs 34-36):

(i) the amount of any gain recognised in accordance with paragraph 34 and the line item in the statement of comprehensive income in which the gain is recognised; and

(ii) a description of the reasons why the transaction resulted in a gain.

(o) for each business combination in which the acquirer holds less than 100 per cent of the equity interests in the acquiree at the acquisition date:

(i) the amount of the non-controlling interest in the acquiree recognised at the acquisition date and the measurement basis for that amount; and

(ii) for each non-controlling interest in an acquiree measured at fair value, the valuation techniques and key model inputs used for determining that value.

(p) in a business combination achieved in stages:

(i) the acquisition-date fair value of the equity interest in the acquiree held by the acquirer immediately before the acquisition date; and

(ii) the amount of any gain or loss recognised as a result of remeasuring to fair value the equity interest in the acquiree held by the acquirer before the business combination (see paragraph 42) and the line item in the statement of comprehensive income in which that gain or loss is recognised.

(q) the following information:

(i) the amounts of revenue and profit or loss of the acquiree since the acquisition date included in the consolidated statement of comprehensive income for the reporting period; and

(ii) the revenue and profit or loss of the combined entity for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period.

If disclosure of any of the information required by this subparagraph is impracticable, the acquirer shall disclose that fact and explain why the disclosure is impracticable. This Standard uses the term ‘impracticable’ with the same meaning as in AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

B65 For individually immaterial business combinations occurring during the reporting period that are material collectively, the acquirer shall disclose in aggregate the information required by paragraph B64(e)-(q).

B66 If the acquisition date of a business combination is after the end of the reporting period but before the financial statements are authorised for issue, the acquirer shall disclose the information required by paragraph B64 unless the initial accounting for the business combination is incomplete at the time the financial statements are authorised for issue. In that situation, the acquirer shall describe which disclosures could not be made and the reasons why they cannot be made.

61 **The acquirer shall disclose information that enables users of its financial statements to evaluate the financial effects of adjustments recognised in the current reporting period that relate to business combinations that occurred in the period or previous reporting periods.**

62 To meet the objective in paragraph 61, the acquirer shall disclose the information specified in paragraph B67.

B67 To meet the objective in paragraph 61, the acquirer shall disclose the following information for each material business combination or in the aggregate for individually immaterial business combinations that are material collectively:

(a) if the initial accounting for a business combination is incomplete (see paragraph 45) for particular assets, liabilities, non-controlling interests or items of consideration and the amounts recognised in the financial statements for the business combination thus have been determined only provisionally:

(i) the reasons why the initial accounting for the business combination is incomplete;

(ii) the assets, liabilities, equity interests or items of consideration for which the initial accounting is incomplete; and

(iii) the nature and amount of any measurement period adjustments recognised during the reporting period in accordance with paragraph 49.

(b) for each reporting period after the acquisition date until the entity collects, sells or otherwise loses the right to a contingent consideration asset, or until the entity settles a contingent consideration liability or the liability is cancelled or expires:

(i) any changes in the recognised amounts, including any differences arising upon settlement;

(ii) any changes in the range of outcomes (undiscounted) and the reasons for those changes; and

(iii) the valuation techniques and key model inputs used to measure contingent consideration.

(c) for contingent liabilities recognised in a business combination, the acquirer shall disclose the information required by paragraphs 84 and 85 of AASB 137 for each class of provision.

(d) a reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period showing separately:

(i) the gross amount and accumulated impairment losses at the beginning of the reporting period.

(ii) additional goodwill recognised during the reporting period, except goodwill included in a disposal group that, on acquisition, meets the criteria to be classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*.

(iii) adjustments resulting from the subsequent recognition of deferred tax assets during the reporting period in accordance with paragraph 67.

(iv) goodwill included in a disposal group classified as held for sale in accordance with AASB 5 and goodwill derecognised during the reporting period without having previously been included in a disposal group classified as held for sale.

(v) impairment losses recognised during the reporting period in accordance with AASB 136. (AASB 136 requires disclosure of information about the recoverable amount and impairment of goodwill in addition to this requirement.)

(vi) net exchange rate differences arising during the reporting period in accordance with AASB 121 *The Effects of Changes in Foreign Exchange Rates*.

(vii) any other changes in the carrying amount during the reporting period.

(viii) the gross amount and accumulated impairment losses at the end of the reporting period.

RDRB67(d) In respect of entities applying the Reduced Disclosure Regime, the reconciliation in paragraph B67(d) need not be presented for prior periods.

(e) the amount and an explanation of any gain or loss recognised in the current reporting period that both:

(i) relates to the identifiable assets acquired or liabilities assumed in a business combination that was effected in the current or previous reporting period; and

(ii) is of such a size, nature or incidence that disclosure is relevant to understanding the combined entity's financial statements.

63 If the specific disclosures required by this and other Australian Accounting Standards do not meet the objectives set out in paragraphs 59 and 61, the acquirer shall disclose whatever additional information is necessary to meet those objectives.

AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

12 If the criteria in paragraphs 7 and 8 are met after the end of the reporting period, an entity shall not classify a non-current asset (or disposal group) as held for sale in those financial statements when issued. However, when those criteria are met after the end of the reporting period but before the authorisation of the financial statements for issue, the entity shall disclose the information specified in paragraph 41(a), (b) and (d) in the notes.

Presentation and Disclosure

30 An entity shall present and disclose information that enables users of the financial statements to evaluate the financial effects of discontinued operations and disposals of non-current assets (or disposal groups).

Presenting discontinued operations

31 A *component of an entity* comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. In other words, a component of an entity will have been a cash-generating unit or a group of cash-generating units while being held for use.

32 A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and:

(a) represents a separate major line of business or geographical area of operations;

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

(c) is a subsidiary acquired exclusively with a view to resale.

33 An entity shall disclose:

(a) a single amount in the statement of comprehensive income comprising the total of:

   (i) the post-tax profit or loss of discontinued operations; and

   (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation;

(b) an analysis of the single amount in (a) into:

   (i) the revenue, expenses and pre-tax profit or loss of discontinued operations;

   (ii) the related income tax expense as required by paragraph 81(h) of AASB 112;

   (iii) the gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation; and

   (iv) the related income tax expense as required by paragraph 81(h) of AASB 112.

   The analysis may be presented in the notes or in the statement of comprehensive income. If it is presented in the statement of comprehensive income it shall be presented in a section identified as relating to discontinued operations, that is, separately from continuing operations. The analysis is not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition (see paragraph 11).

(c) the net cash flows attributable to the operating, investing and financing activities of discontinued operations. These disclosures may be presented either in the notes or in the financial statements. These disclosures are not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition (see paragraph 11).

(d) the amount of income from continuing operations and from discontinued operations attributable to owners of the parent. These disclosures may be presented either in the notes or in the statement of comprehensive income

33A If an entity presents the components of profit or loss in a separate income statement as described in paragraph 81 of AASB 101 (as revised in 2007), a section identified as relating to discontinued operations is presented in that separate statement.

34 An entity shall re-present the disclosures in paragraph 33 for prior periods presented in the financial statements so that the disclosures relate to all operations that have been discontinued by the end of the reporting period for the latest period presented.

35 Adjustments in the current period to amounts previously presented in discontinued operations that are directly related to the disposal of a discontinued operation in a prior period shall be classified separately in discontinued operations. The nature and amount of such adjustments shall be disclosed. Examples of circumstances in which these adjustments may arise include the following:

(a) the resolution of uncertainties that arise from the terms of the disposal transaction, such as the resolution of purchase price adjustments and indemnification issues with the purchaser;

(b) the resolution of uncertainties that arise from and are directly related to the operations of the component before its disposal, such as environmental and product warranty obligations retained by the seller; and

(c) the settlement of employee benefit plan obligations, provided that the settlement is directly related to the disposal transaction.

36 If an entity ceases to classify a component of an entity as held for sale, the results of operations of the component previously presented in discontinued operations in accordance with paragraphs 33-35 shall be reclassified and included in income from continuing operations for all periods presented. The amounts for prior periods shall be described as having been re-presented.

36A An entity that is committed to a sale plan involving loss of control of a subsidiary shall disclose the information required in paragraphs 33-36 when the subsidiary is a disposal group that meets the definition of a discontinued operation in accordance with paragraph 32.

Gains or losses relating to continuing operations

37 Any gain or loss on the remeasurement of a non-current asset (or disposal group) classified as held for sale that does not meet the definition of a discontinued operation shall be included in profit or loss from continuing operations.

Presentation of a non-current asset or disposal group classified as held for sale

38 An entity shall present a non-current asset classified as held for sale and the assets of a disposal group classified as held for sale separately from other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale shall be presented separately from other liabilities in the statement of financial position. Those assets and liabilities shall not be offset and presented as a single amount. The major classes of assets and liabilities classified as held for sale shall be separately disclosed either in the statement of financial position or in the notes, except as permitted by paragraph 39. An entity shall present separately any cumulative income or expense recognised in other comprehensive income relating to a non-current asset (or disposal group) classified as held for sale.

39 If the disposal group is a newly acquired subsidiary that meets the criteria to be classified as held for sale on acquisition (see paragraph 11), disclosure of the major classes of assets and liabilities is not required.

40 An entity shall not reclassify or re-present amounts presented for non-current assets or for the assets and liabilities of disposal groups classified as held for sale in the statements of financial position for prior periods to reflect the classification in the statement of financial position for the latest period presented.

Additional disclosures

41 An entity shall disclose the following information in the notes in the period in which a non-current asset (or disposal group) has been either classified as held for sale or sold:

(a) a description of the non-current asset (or disposal group);

(b) a description of the facts and circumstances of the sale, or leading to the expected disposal, and the expected manner and timing of that disposal;

(c) the gain or loss recognised in accordance with paragraphs 20-22 and, if not separately presented in the statement of comprehensive income, the caption in the statement of comprehensive income that includes that gain or loss; and

(d) if applicable, the reportable segment in which the non-current asset (or disposal group) is presented in accordance with AASB 8 *Operating Segments*.

42 If either paragraph 26 or paragraph 29 applies, an entity shall disclose, in the period of the decision to change the plan to sell the non-current asset (or disposal group), a description of the facts and circumstances leading to the decision and the effect of the decision on the results of operations for the period and any prior periods presented.

AASB 6 *Exploration for and Evaluation of Mineral Resources:* Text of Proposed Disclosures

The following are the disclosure requirements of AASB 6 *Exploration for and Evaluation of Mineral Resources*. It is proposed that they be retained without amendment in the RDR

2 In particular, the Standard requires:

…

(c) disclosures that identify and explain the amounts in the entity's financial report arising from the exploration for and evaluation of mineral resources and help users of those financial reports understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognised.

Disclosure

23 An entity shall disclose information that identifies and explains the amounts recognised in its financial report arising from the exploration for and evaluation of mineral resources.

24 To comply with paragraph 23, an entity shall disclose:

(a) its accounting policies for exploration and evaluation expenditures including the recognition of exploration and evaluation assets; and

(b) the amounts of assets, liabilities, income and expense and operating and investing cash flows arising from the exploration for and evaluation of mineral resources.

Aus24.1 In addition to the disclosure required by paragraph 24(b), an entity that recognises exploration and evaluation assets for any of its areas of interest shall, in disclosing the amounts of those assets, provide an explanation that recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

25 An entity shall treat exploration and evaluation assets as a separate class of assets and make the disclosures required by either AASB 116 or AASB 138 consistent with how the assets are classified.

AASB 7 *Financial Instruments Disclosure*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 7 *Financial Instruments* (June 2009), showing requirements from which it is proposed entities applying the RDR should be exempt with the shaded paragraphs.

Classes of Financial Instruments and Level of Disclosure

6 When this Standard requires disclosures by class of financial instrument, an entity shall group financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. An entity shall provide sufficient information to permit reconciliation to the line items presented in the statement of financial position.

Significance of Financial Instruments for Financial Position and Performance

7 An entity shall disclose information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance.

Statement of financial position

Categories of financial assets and financial liabilities

8 The carrying amounts of each of the following categories, as defined in AASB 139, shall be disclosed either in the statement of financial position or in the notes:

(a) financial assets at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition and (ii) those classified as held for trading in accordance with AASB 139;

(b) held-to-maturity investments;

(c) loans and receivables;

(d) available-for-sale financial assets;

(e) financial liabilities at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition and (ii) those classified as held for trading in accordance with AASB 139; and

(f) financial liabilities measured at amortised cost.

Financial assets or financial liabilities at fair value through profit or loss

9 If the entity has designated a loan or receivable (or group of loans or receivables) as at fair value through profit or loss, it shall disclose:

(a) the maximum exposure to *credit risk* (see paragraph 36(a)) of the loan or receivable (or group of loans or receivables) at the end of the reporting period;

(b) the amount by which any related credit derivatives or similar instruments mitigate that maximum exposure to credit risk;

(c) the amount of change, during the period and cumulatively, in the fair value of the loan or receivable (or group of loans or receivables) that is attributable to changes in the credit risk of the financial asset determined either:

(i) as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to *market risk*; or

(ii) using an alternative method the entity believes more faithfully represents the amount of change in its fair value that is attributable to changes in the credit risk of the asset.

Changes in market conditions that give rise to market risk include changes in an observed (benchmark) interest rate, commodity price, foreign exchange rate or index of prices or rates; and

(d) the amount of the change in the fair value of any related credit derivatives or similar instruments that has occurred during the period and cumulatively since the loan or receivable was designated.

10 **If the entity has designated a financial liability as at fair value through profit or loss in accordance with paragraph 9 of AASB 139, it shall disclose:**

(a) the amount of change, during the period and cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of that liability determined either:

(i) as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to market risk (see Appendix B, paragraph B4); or

(ii) using an alternative method the entity believes more faithfully represents the amount of change in its fair value that is attributable to changes in the credit risk of the liability.

Changes in market conditions that give rise to market risk include changes in a benchmark interest rate, the price of another entity's financial instrument, a commodity price, a foreign exchange rate or an index of prices or rates. For contracts that include a unit-linking feature, changes in market conditions include changes in the performance of the related internal or external investment fund; and

(b) the difference between the financial liability's carrying amount and the amount the entity would be contractually required to pay at maturity to the holder of the obligation.

11 The entity shall disclose:

(a) the methods used to comply with the requirements in paragraphs 9(c) and 10(a); and

(b) if the entity believes that the disclosure it has given to comply with the requirements in paragraph 9(c) or 10(a) does not faithfully represent the change in the fair value of the financial asset or financial liability attributable to changes in its credit risk, the reasons for reaching this conclusion and the factors it believes are relevant.

Reclassification

12 If the entity has reclassified a financial asset (in accordance with paragraphs 51-54 of AASB 139) as one measured:

(a) at cost or amortised cost, rather than at fair value; or

(b) at fair value, rather than at cost or amortised cost, it shall disclose the amount reclassified into and out of each category and the reason for that reclassification.

12A If the entity has reclassified a financial asset out of the fair value through profit or loss category in accordance with paragraph 50B or 50D of AASB 139 or out of the available-for-sale category in accordance with paragraph 50E of AASB 139, it shall disclose:

(a) the amount reclassified into and out of each category;

(b) for each reporting period until derecognition, the carrying amounts and fair values of all financial assets that have been reclassified in the current and previous reporting periods;

(c) if a financial asset was reclassified in accordance with paragraph 50B, the rare situation, and the facts and circumstances indicating that the situation was rare;

(d) for the reporting period when the financial asset was reclassified, the fair value gain or loss on the financial asset recognised in profit or loss or other comprehensive income in that reporting period and in the previous reporting period;

(e) for each reporting period following the reclassification (including the reporting period in which the financial asset was reclassified) until derecognition of the financial asset, the fair value gain or loss that would have been recognised in profit or loss or other comprehensive income if the financial asset had not been reclassified, and the gain, loss, income and expense recognised in profit or loss; and

(f) the effective interest rate and estimated amounts of cash flows the entity expects to recover, as at the date of reclassification of the financial asset.

Derecognition

13 An entity may have transferred financial assets in such a way that part or all of the financial assets do not qualify for derecognition (see paragraphs 15-37 of AASB 139). The entity shall disclose for each class of such financial assets:

(a) the nature of the assets;

(b) the nature of the risks and rewards of ownership to which the entity remains exposed;

(c) when the entity continues to recognise all of the assets, the carrying amounts of the assets and of the associated liabilities; and

(d) when the entity continues to recognise the assets to the extent of its continuing involvement, the total carrying amount of the original assets, the amount of the assets that the entity continues to recognise, and the carrying amount of the associated liabilities.

Collateral

14 An entity shall disclose:

(a) the carrying amount of financial assets it has pledged as collateral for liabilities or contingent liabilities, including amounts that have been reclassified in accordance with paragraph 37(a) of AASB 139; and

(b) the terms and conditions relating to its pledge.

15 When an entity holds collateral (of financial or non-financial assets) and is permitted to sell or repledge the collateral in the absence of default by the owner of the collateral, it shall disclose:

(a) the fair value of the collateral held;

(b) the fair value of any such collateral sold or repledged, and whether the entity has an obligation to return it; and

(c) the terms and conditions associated with its use of the collateral.

Allowance account for credit losses

16 When financial assets are impaired by credit losses and the entity records the impairment in a separate account (e.g. an allowance account used to record individual impairments or a similar account used to record a collective impairment of assets) rather than directly reducing the carrying amount of the asset, it shall disclose a reconciliation of changes in that account during the period for each class of financial assets.

Compound financial instruments with multiple embedded derivatives

17 If an entity has issued an instrument that contains both a liability and an equity component (see paragraph 28 of AASB 132) and the instrument has multiple embedded derivatives whose values are interdependent (such as a callable convertible debt instrument), it shall disclose the existence of those features.

Defaults and breaches

18 For loans payable recognised at the end of the reporting period, an entity shall disclose:

(a) details of any defaults during the period of principal, interest, sinking fund, or redemption terms of those loans payable;

(b) the carrying amount of the loans payable in default at the end of the reporting period; and

(c) whether the default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were authorised for issue.

19 If, during the period, there were breaches of loan agreement terms other than those described in paragraph 18, an entity shall disclose the same information as required by paragraph 18 if those breaches permitted the lender to demand accelerated repayment (unless the breaches were remedied, or the terms of the loan were renegotiated, on or before the end of the reporting period).

Statement of comprehensive income

Items of income, expense, gains or losses

20 An entity shall disclose the following items of income, expense, gains or losses either in the statement of comprehensive income or in the notes:

(a) net gains or net losses on:

(i) financial assets or financial liabilities at fair value through profit or loss, showing separately those on financial assets or financial liabilities designated as such upon initial recognition, and those on financial assets or financial liabilities that are classified as held for trading in accordance with AASB 139;

(ii) available-for-sale financial assets, showing separately the amount of gain or loss recognised in other comprehensive income during the period and the amount reclassified from equity to profit or loss for the period;

(iii) held-to-maturity investments;

(iv) loans and receivables; and

(v) financial liabilities measured at amortised cost;

(b) total interest income and total interest expense (calculated using the effective interest method) for financial assets or financial liabilities that are not at fair value through profit or loss;

(c) fee income and expense (other than amounts included in determining the effective interest rate) arising from:

(i) financial assets or financial liabilities that are not at fair value through profit or loss; and

(ii) trust and other fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans, and other institutions;

(d) interest income on impaired financial assets accrued in accordance with paragraph AG93 of AASB 139; and

(e) the amount of any impairment loss for each class of financial asset.

Other disclosures

Accounting policies

21 In accordance with paragraph 117 of AASB 101 *Presentation of Financial Statements* (as revised in 2007), an entity discloses, in the summary of significant accounting policies, the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements.

Hedge accounting

22 An entity shall disclose the following separately for each type of hedge described in AASB 139 (i.e. fair value hedges, cash flow hedges, and hedges of net investments in foreign operations):

(a) a description of each type of hedge;

(b) a description of the financial instruments designated as hedging instruments and their fair values at the end of the reporting period; and

(c) the nature of the risks being hedged.

23 For cash flow hedges, an entity shall disclose:

(a) the periods when the cash flows are expected to occur and when they are expected to affect profit or loss;

(b) a description of any forecast transaction for which hedge accounting had previously been used, but which is no longer expected to occur;

(c) the amount that was recognised in other comprehensive income during the period;

(d) the amount that was reclassified from equity to profit or loss for the period, showing the amount included in each line item in the statement of comprehensive income; and

(e) the amount that was removed from equity during the period and included in the initial cost or other carrying amount of a nonfinancial asset or non-financial liability whose acquisition or incurrence was a hedged highly probable forecast transaction.

24 An entity shall disclose separately:

(a) in fair value hedges, gains or losses:

(i) on the hedging instrument; and

(ii) on the hedged item attributable to the hedged risk;

(b) the ineffectiveness recognised in profit or loss that arises from cash flow hedges; and

(c) the ineffectiveness recognised in profit or loss that arises from hedges of net investments in foreign operations.

Fair value

25 Except as set out in paragraph 29, for each class of financial assets and financial liabilities (see paragraph 6), an entity shall disclose the fair value of that class of assets and liabilities in a way that permits it to be compared with its carrying amount.

26 In disclosing fair values, an entity shall group financial assets and financial liabilities into classes, but shall offset them only to the extent that their carrying amounts are offset in the statement of financial position.

27 An entity shall disclose for each class of financial instruments the methods and, when a valuation technique is used, the assumptions applied in determining fair values of each class of financial assets or financial liabilities. For example, if applicable, an entity discloses information about the assumptions relating to prepayment rates, rates of estimated credit losses, and interest rates or discount rates. If there has been a change in valuation technique, the entity shall disclose that change and the reasons for making it.

27A To make the disclosures required by paragraph 27B an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

27B For fair value measurements recognised in the statement of financial position an entity shall disclose for each class of financial instruments:

(a) the level in the fair value hierarchy into which the fair value measurements are categorised in their entirety, segregating fair value measurements in accordance with the levels defined in paragraph 27A.

(b) any significant transfers between Level 1 and Level 2 of the fair value hierarchy and the reasons for those transfers. Transfers into each level shall be disclosed and discussed separately from transfers out of each level. For this purpose, significance shall be judged with respect to profit or loss, and total assets or total liabilities.

(c) for fair value measurements in Level 3 of the fair value hierarchy, a reconciliation from the beginning balances to the ending balances, disclosing separately changes during the period attributable to the following:

(i) total gains or losses for the period recognised in profit or loss, and a description of where they are presented in the statement of comprehensive income or the separate income statement (if presented);

(ii) total gains or losses recognised in other comprehensive income;

(iii) purchases, sales, issues and settlements (each type of movement disclosed separately); and

(iv) transfers into or out of Level 3 (e.g. transfers attributable to changes in the observability of market data) and the reasons for those transfers. For significant transfers, transfers into Level 3 shall be disclosed and discussed separately from transfers out of Level 3.

(d) the amount of total gains or losses for the period in (c)(i) above included in profit or loss that are attributable to gains or losses relating to those assets and liabilities held at the end of the reporting period and a description of where those gains or losses are presented in the statement of comprehensive income or the separate income statement (if presented).

(e) for fair value measurements in Level 3, if changing one or more of the inputs to reasonably possible alternative assumptions would change fair value significantly, the entity shall state that fact and disclose the effect of those changes. The entity shall disclose how the effect of a change to a reasonably possible alternative assumption was calculated. For this purpose, significance shall be judged with respect to profit or loss, and total assets or total liabilities, or, when changes in fair value are recognised in other comprehensive income, total equity. An entity shall present the quantitative disclosures required by this paragraph in tabular format unless another format is more appropriate.

28 If the market for a financial instrument is not active, an entity establishes its fair value using a valuation technique (see paragraphs AG74-AG79 of AASB 139). Nevertheless, the best evidence of fair value at initial recognition is the transaction price (i.e. the fair value of the consideration given or received), unless conditions described in paragraph AG76 of AASB 139 are met. It follows that there could be a difference between the fair value at initial recognition and the amount that would be determined at that date using the valuation technique. If such a difference exists, an entity shall disclose, by class of financial instrument:

(a) its accounting policy for recognising that difference in profit or loss to reflect a change in factors (including time) that market participants would consider in setting a price (see paragraph AG76A of AASB 139); and

(b) the aggregate difference yet to be recognised in profit or loss at the beginning and end of the period and a reconciliation of changes in the balance of this difference.

29 Disclosures of fair value are not required:

(a) when the carrying amount is a reasonable approximation of fair value, for example, for financial instruments such as short-term trade receivables and payables;

(b) for an investment in equity instruments that do not have a quoted market price in an active market, or derivatives linked to such equity instruments, that is measured at cost in accordance with AASB 139 because its fair value cannot be measured reliably; or

(c) for a contract containing a discretionary participation feature (as described in AASB 4) if the fair value of that feature cannot be measured reliably.

30 In the cases described in paragraph 29(b) and (c), an entity shall disclose information to help users of the financial statements make their own judgements about the extent of possible differences

between the carrying amount of those financial assets or financial liabilities and their fair value, including:

(a) the fact that fair value information has not been disclosed for these instruments because their fair value cannot be measured reliably;

(b) a description of the financial instruments, their carrying amount, and an explanation of why fair value cannot be measured reliably;

(c) information about the market for the instruments;

(d) information about whether and how the entity intends to dispose of the financial instruments; and

(e) if financial instruments whose fair value previously could not be reliably measured are derecognised, that fact, their carrying amount at the time of derecognition, and the amount of gain or loss recognised.

Nature and Extent of Risks Arising from Financial Instruments

31 An entity shall disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of the reporting period.

32 The disclosures required by paragraphs 33-42 focus on the risks that arise from financial instruments and how they have been managed. These risks typically include, but are not limited to, credit risk, *liquidity risk* and market risk.

Qualitative disclosures

33 For each type of risk arising from financial instruments, an entity shall disclose:

(a) the exposures to risk and how they arise;

(b) its objectives, policies and processes for managing the risk and the methods used to measure the risk; and

(c) any changes in (a) or (b) from the previous period.

Quantitative disclosures

34 For each type of risk arising from financial instruments, an entity shall disclose:

(a) summary quantitative data about its exposure to that risk at the end of the reporting period. This disclosure shall be based on the information provided internally to key management personnel of the entity (as defined in AASB 124 Related Party Disclosures), for example the entity’s board of directors or chief executive officer;

(b) the disclosures required by paragraphs 36-42, to the extent not provided in (a), unless the risk is not material (see paragraphs 29-31 of AASB 101 for a discussion of materiality); and

(c) concentrations of risk if not apparent from (a) and (b).

35 If the quantitative data disclosed as at the end of the reporting period are unrepresentative of an entity’s exposure to risk during the period, an entity shall provide further information that is representative.

Credit risk

36 An entity shall disclose by class of financial instrument:

(a) the amount that best represents its maximum exposure to credit risk at the end of the reporting period without taking account of any collateral held or other credit enhancements (e.g. netting agreements that do not qualify for offset in accordance with AASB 132);

(b) in respect of the amount disclosed in (a), a description of collateral held as security and other credit enhancements;

(c) information about the credit quality of financial assets that are neither *past due* nor impaired; and

(d) the carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated.

Financial assets that are either past due or impaired

37 An entity shall disclose by class of financial asset:

(a) an analysis of the age of financial assets that are past due as at the end of the reporting period but not impaired;

(b) an analysis of financial assets that are individually determined to be impaired as at the end of the reporting period, including the factors the entity considered in determining that they are impaired; and

(c) for the amounts disclosed in (a) and (b), a description of collateral held by the entity as security and other credit enhancements and, unless impracticable, an estimate of their fair value.

Collateral and other credit enhancements obtained

38 When an entity obtains financial or non-financial assets during the period by taking possession of collateral it holds as security or calling on other credit enhancements (e.g. guarantees), and such assets meet the recognition criteria in other Australian Accounting Standards, an entity shall disclose:

(a) the nature and carrying amount of the assets obtained; and

(b) when the assets are not readily convertible into cash, its policies for disposing of such assets or for using them in its operations.

Liquidity risk

39 An entity shall disclose:

(a) a maturity analysis for non-derivative financial liabilities (including issued financial guarantee contracts) that shows the remaining contractual maturities.

(b) a maturity analysis for derivative financial liabilities. The maturity analysis shall include the remaining contractual maturities for those derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows (see paragraph B11B).

(c) a description of how it manages the liquidity risk inherent in (a) and (b).

Market risk

Sensitivity analysis

40 Unless an entity complies with paragraph 41, it shall disclose:

(a) a sensitivity analysis for each type of market risk to which the entity is exposed at the end of the reporting period, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date;

(b) the methods and assumptions used in preparing the sensitivity analysis; and

(c) changes from the previous period in the methods and assumptions used, and the reasons for such changes.

41 If an entity prepares a sensitivity analysis, such as value-at-risk, that reflects interdependencies between risk variables (e.g. interest rates and exchange rates) and uses it to manage financial risks, it may use that sensitivity analysis in place of the analysis specified in paragraph 40. The entity shall also disclose:

(a) an explanation of the method used in preparing such a sensitivity analysis, and of the main parameters and assumptions underlying the data provided; and

(b) an explanation of the objective of the method used and of limitations that may result in the information not fully reflecting the fair value of the assets and liabilities involved.

Other market risk disclosures

42 When the sensitivity analyses disclosed in accordance with paragraph 40 or 41 are unrepresentative of a risk inherent in a financial instrument (e.g. because the year-end exposure does not reflect the exposure during the year), the entity shall disclose that fact and the reason it believes the sensitivity analyses are unrepresentative.

AASB 9 *Financial Instruments*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 7 *Financial Instruments: Disclosures* (with consequential amendments as a result of AASB 9, issued November 2009), showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

Classes of Financial Instruments and Level of Disclosure

6 When this Standard requires disclosures by class of financial instrument, an entity shall group financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. An entity shall provide sufficient information to permit reconciliation to the line items presented in the statement of financial position.

Significance of Financial Instruments for Financial Position and Performance

7 An entity shall disclose information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance.

Statement of financial position

Categories of financial assets and financial liabilities

8 The carrying amounts of each of the following categories, as specified in AASB 9 or AASB 139, shall be disclosed either in the statement of financial position or in the notes:

(a) financial assets measured at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition and (ii) those mandatorily measured at fair value in accordance with AASB 9~~;~~

(b)-(d) [deleted by the IASB]

(e) financial liabilities at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition and (ii) those that meet the definition of held for trading in AASB 139~~;~~

(f) financial assets measured at amortised cost.

(g) financial liabilities measured at amortised cost.

(h) financial assets measured at fair value through other comprehensive income.

Financial assets or financial liabilities at fair value through profit or loss

9 If the entity has designated as measured at fair value a financial asset (or group of financial assets) that would otherwise be measured at amortised cost, it shall disclose:

(a) the maximum exposure to *credit risk* (see paragraph 36(a)) of the financial asset (or group of financial assets) at the end of the reporting period;

(b) the amount by which any related credit derivatives or similar instruments mitigate that maximum exposure to credit risk;

(c) the amount of change, during the period and cumulatively, in the fair value of the financial asset (or group of financial assets) that is attributable to changes in the credit risk of the financial asset determined either:

(i) as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to *market risk*; or

(ii) using an alternative method the entity believes more faithfully represents the amount of change in its fair value that is attributable to changes in the credit risk of the asset.

Changes in market conditions that give rise to market risk include changes in an observed (benchmark) interest rate, commodity price, foreign exchange rate or index of prices or rates; and

(d) the amount of the change in the fair value of any related credit derivatives or similar instruments that has occurred during the period and cumulatively since the financial asset was designated.

10 If the entity has designated a financial liability as at fair value through profit or loss in accordance with paragraph 9 of AASB 139, it shall disclose:

(a) the amount of change, during the period and cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of that liability determined either:

(i) as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to market risk (see Appendix B, paragraph B4); or

(ii) using an alternative method the entity believes more faithfully represents the amount of change in its fair value that is attributable to changes in the credit risk of the liability.

Changes in market conditions that give rise to market risk include changes in a benchmark interest rate, the price of another entity's financial instrument, a commodity price, a foreign exchange rate or an index of prices or rates. For contracts that include a unit-linking feature, changes in market conditions include changes in the performance of the related internal or external investment fund; and

(b) the difference between the financial liability's carrying amount and the amount the entity would be contractually required to pay at maturity to the holder of the obligation.

11 The entity shall disclose:

(a) the methods used to comply with the requirements in paragraphs 9(c) and 10(a); and

(b) if the entity believes that the disclosure it has given to comply with the requirements in paragraph 9(c) or 10(a) does not faithfully represent the change in the fair value of the financial asset or financial liability attributable to changes in its credit risk, the reasons for reaching this conclusion and the factors it believes are relevant.

11A If an entity has designated investments in equity instruments to be measured at fair value through other comprehensive income, as permitted by paragraph 5.4.4 of AASB 9, it shall disclose:

(a) which investments in equity instruments have been designated to be measured at fair value through other comprehensive income.

(b) the reasons for using this presentation alternative.

(c) the fair value of each such investment at the end of the reporting period.

(d) dividends recognised during the period, showing separately those related to investments derecognised during the reporting period and those related to investments held at the end of the reporting period.

(e) any transfers of the cumulative gain or loss within equity during the period including the reason for such transfers.

11B If an entity derecognised investments in equity instruments measured at fair value through other comprehensive income during the reporting period, it shall disclose:

(a) the reasons for disposing of the investments.

(b) the fair value of the investments at the date of derecognition.

(c) the cumulative gain or loss on disposal.

Reclassification

12B An entity shall disclose if, in the current or previous reporting periods, it has reclassified any financial assets in accordance with paragraph 4.9 of AASB 9. For each such event, an entity shall disclose:

(a) the date of reclassification.

(b) a detailed explanation of the change in business model and a qualitative description of its effect on the entity's financial statements.

(c) the amount reclassified into and out of each category.

12C For each reporting period following reclassification until derecognition, an entity shall disclose for assets reclassified so that they are measured at amortised cost in accordance with paragraph 4.9 of AASB 9:

(a) the effective interest rate determined on the date of reclassification; and

(b) the interest income or expense recognised.

12D If an entity has reclassified financial assets so that they are measured at amortised cost since its last annual reporting date, it shall disclose:

(a) the fair value of the financial assets at the end of the reporting period; and

(b) the fair value gain or loss that would have been recognised in profit or loss during the reporting period if the financial assets had not been reclassified.

Derecognition

13 An entity may have transferred financial assets in such a way that part or all of the financial assets do not qualify for derecognition (see paragraphs 15-37 of AASB 139). The entity shall disclose for each class of such financial assets:

(a) the nature of the assets;

(b) the nature of the risks and rewards of ownership to which the entity remains exposed;

(c) when the entity continues to recognise all of the assets, the carrying amounts of the assets and of the associated liabilities; and

(d) when the entity continues to recognise the assets to the extent of its continuing involvement, the total carrying amount of the original assets, the amount of the assets that the entity continues to recognise, and the carrying amount of the associated liabilities.

Collateral

14 An entity shall disclose:

(a) the carrying amount of financial assets it has pledged as collateral for liabilities or contingent liabilities, including amounts that have been reclassified in accordance with paragraph 37(a) of AASB 139; and

(b) the terms and conditions relating to its pledge.

15 When an entity holds collateral (of financial or non-financial assets) and is permitted to sell or repledge the collateral in the absence of default by the owner of the collateral, it shall disclose:

(a) the fair value of the collateral held;

(b) the fair value of any such collateral sold or repledged, and whether the entity has an obligation to return it; and

(c) the terms and conditions associated with its use of the collateral.

Allowance account for credit losses

16 When financial assets are impaired by credit losses and the entity records the impairment in a separate account (e.g. an allowance account used to record individual impairments or a similar account used to record a collective impairment of assets) rather than directly reducing the carrying amount of the asset, it shall disclose a reconciliation of changes in that account during the period for each class of financial assets.

Compound financial instruments with multiple embedded derivatives

17 If an entity has issued an instrument that contains both a liability and an equity component (see paragraph 28 of AASB 132) and the instrument has multiple embedded derivatives whose values are interdependent (such as a callable convertible debt instrument), it shall disclose the existence of those features.

Defaults and breaches

18 For loans payable recognised at the end of the reporting period, an entity shall disclose:

(a) details of any defaults during the period of principal, interest, sinking fund, or redemption terms of those loans payable;

(b) the carrying amount of the loans payable in default at the end of the reporting period; and

(c) whether the default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were authorised for issue.

19 If, during the period, there were breaches of loan agreement terms other than those described in paragraph 18, an entity shall disclose the same information as required by paragraph 18 if those breaches permitted the lender to demand accelerated repayment (unless the breaches were remedied, or the terms of the loan were renegotiated, on or before the end of the reporting period).

Statement of comprehensive income

Items of income, expense, gains or losses

20 An entity shall disclose the following items of income, expense, gains or losses either in the statement of comprehensive income or in the notes:

(a) net gains or net losses on:

(i) financial assets measured at fair value through profit or loss, showing separately those on financial assets designated as such upon initial recognition, and those that are mandatorily measured at fair value in accordance with AASB 9;

(ii)-(iv) [deleted by the IASB]

(v) financial liabilities at fair value through profit or loss, showing separately those on financial liabilities designated as such upon initial recognition, and those on financial liabilities that meet the definition of held for trading in AASB 139;

(vi) financial assets measured at amortised cost;

(vii) financial liabilities measured at amortised cost; and

(viii) financial assets measured at fair value through other comprehensive income.

(b) total interest income and total interest expense (calculated using the effective interest method) for financial assets that are measured at amortised cost or financial liabilities not at fair value through profit or loss;

(c) fee income and expense (other than amounts included in determining the effective interest rate) arising from:

(i) financial assets measured at amortised cost or financial liabilities that are not at fair value through profit or loss; and

(ii) trust and other fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans, and other institutions;

(d) interest income on impaired financial assets accrued in accordance with paragraph AG93 of AASB 139; and

(e) the amount of any impairment loss for each class of financial asset.

20A An entity shall disclose an analysis of the gain or loss recognised in the statement of comprehensive income arising from the derecognition of financial assets measured at amortised cost, showing separately gains and losses arising from derecognition of those financial assets. This disclosure shall include the reasons for derecognising those financial assets.

Other disclosures

Accounting policies

21 In accordance with paragraph 117 of AASB 101 Presentation of Financial Statements (as revised in 2007), an entity discloses, in the summary of significant accounting policies, the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements.

Hedge accounting

22 An entity shall disclose the following separately for each type of hedge described in AASB 139 (i.e. fair value hedges, cash flow hedges, and hedges of net investments in foreign operations):

(a) a description of each type of hedge;

(b) a description of the financial instruments designated as hedging instruments and their fair values at the end of the reporting period; and

(c) the nature of the risks being hedged.

23 For cash flow hedges, an entity shall disclose:

(a) the periods when the cash flows are expected to occur and when they are expected to affect profit or loss;

(b) a description of any forecast transaction for which hedge accounting had previously been used, but which is no longer expected to occur;

(c) the amount that was recognised in other comprehensive income during the period;

(d) the amount that was reclassified from equity to profit or loss for the period, showing the amount included in each line item in the statement of comprehensive income; and

(e) the amount that was removed from equity during the period and included in the initial cost or other carrying amount of a nonfinancial asset or non-financial liability whose acquisition or incurrence was a hedged highly probable forecast transaction.

24 An entity shall disclose separately:

(a) in fair value hedges, gains or losses:

(i) on the hedging instrument; and

(ii) on the hedged item attributable to the hedged risk;

(b) the ineffectiveness recognised in profit or loss that arises from cash flow hedges; and

(c) the ineffectiveness recognised in profit or loss that arises from hedges of net investments in foreign operations.

Fair value

25 Except as set out in paragraph 29, for each class of financial assets and financial liabilities (see paragraph 6), an entity shall disclose the fair value of that class of assets and liabilities in a way that permits it to be compared with its carrying amount.

26 In disclosing fair values, an entity shall group financial assets and financial liabilities into classes, but shall offset them only to the extent that their carrying amounts are offset in the statement of financial position.

27 An entity shall disclose for each class of financial instruments the methods and, when a valuation technique is used, the assumptions applied in determining fair values of each class of financial assets or financial liabilities. For example, if applicable, an entity discloses information about the assumptions relating to prepayment rates, rates of estimated credit losses, and interest rates or discount rates. If there has been a change in valuation technique, the entity shall disclose that change and the reasons for making it.

27A To make the disclosures required by paragraph 27B an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

27B For fair value measurements recognised in the statement of financial position an entity shall disclose for each class of financial instruments:

(a) the level in the fair value hierarchy into which the fair value measurements are categorised in their entirety, segregating fair value measurements in accordance with the levels defined in paragraph 27A.

(b) any significant transfers between Level 1 and Level 2 of the fair value hierarchy and the reasons for those transfers. Transfers into each level shall be disclosed and discussed separately from transfers out of each level. For this purpose, significance shall be judged with respect to profit or loss, and total assets or total liabilities.

(c) for fair value measurements in Level 3 of the fair value hierarchy, a reconciliation from the beginning balances to the ending balances, disclosing separately changes during the period attributable to the following:

  (i) total gains or losses for the period recognised in profit or loss, and a description of where they are presented in the statement of comprehensive income or the separate income statement (if presented);

  (ii) total gains or losses recognised in other comprehensive income;

  (iii) purchases, sales, issues and settlements (each type of movement disclosed separately); and

  (iv) transfers into or out of Level 3 (e.g. transfers attributable to changes in the observability of market data) and the reasons for those transfers. For significant transfers, transfers into Level 3 shall be disclosed and discussed separately from transfers out of Level 3.

(d) the amount of total gains or losses for the period in (c)(i) above included in profit or loss that are attributable to gains or losses relating to those assets and liabilities held at the end of the reporting period and a description of where those gains or losses are presented in the statement of comprehensive income or the separate income statement (if presented).

(e) for fair value measurements in Level 3, if changing one or more of the inputs to reasonably possible alternative assumptions would change fair value significantly, the entity shall state that fact and disclose the effect of those changes. The entity shall disclose how the effect of a change to a reasonably possible alternative assumption was calculated. For this purpose, significance shall be judged with respect to profit or loss, and total assets or total liabilities, or, when changes in fair value are recognised in other comprehensive income, total equity. An entity shall present the quantitative disclosures required by this paragraph in tabular format unless another format is more appropriate.

28 If the market for a financial instrument is not active, an entity establishes its fair value using a valuation technique (see paragraphs AG74-AG79 of AASB 139). Nevertheless, the best evidence of fair value at initial recognition is the transaction price (i.e. the fair value of the consideration given or received), unless conditions described in paragraph AG76 of AASB 139 are met. It follows that there could be a difference between the fair value at initial recognition and the amount that would be determined at that date using the valuation technique. If such a difference exists, an entity shall disclose, by class of financial instrument:

(a) its accounting policy for recognising that difference in profit or loss to reflect a change in factors (including time) that market participants would consider in setting a price (see paragraph AG76A of AASB 139); and

(b) the aggregate difference yet to be recognised in profit or loss at the beginning and end of the period and a reconciliation of changes in the balance of this difference.

29 Disclosures of fair value are not required:

(a) when the carrying amount is a reasonable approximation of fair value, for example, for financial instruments such as short-term trade receivables and payables;

(b) for derivatives linked to investments in equity instruments that do not have a quoted market price in an active market that are measured at cost in accordance with AASB 139 because their fair value cannot be measured reliably; or

(c) for a contract containing a discretionary participation feature (as described in AASB 4) if the fair value of that feature cannot be measured reliably.

30 In the cases described in paragraph 29(b) and (c), an entity shall disclose information to help users of the financial statements make their own judgements about the extent of possible differences between the carrying amount of those contracts and their fair value, including:

(a) the fact that fair value information has not been disclosed for these instruments because their fair value cannot be measured reliably;

(b) a description of the financial instruments, their carrying amount, and an explanation of why fair value cannot be measured reliably;

(c) information about the market for the instruments;

(d) information about whether and how the entity intends to dispose of the financial instruments; and

(e) if financial instruments whose fair value previously could not be reliably measured are derecognised, that fact, their carrying amount at the time of derecognition, and the amount of gain or loss recognised.

Nature and Extent of Risks Arising from Financial Instruments

31 An entity shall disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of the reporting period.

32 The disclosures required by paragraphs 33-42 focus on the risks that arise from financial instruments and how they have been managed. These risks typically include, but are not limited to, credit risk, *liquidity risk* and market risk.

Qualitative disclosures

33 For each type of risk arising from financial instruments, an entity shall disclose:

(a) the exposures to risk and how they arise;

(b) its objectives, policies and processes for managing the risk and the methods used to measure the risk; and

(c) any changes in (a) or (b) from the previous period.

Quantitative disclosures

34 For each type of risk arising from financial instruments, an entity shall disclose:

(a) summary quantitative data about its exposure to that risk at the end of the reporting period. This disclosure shall be based on the information provided internally to key management personnel of the entity (as defined in AASB 124 Related Party Disclosures), for example the entity's board of directors or chief executive officer;

(b) the disclosures required by paragraphs 36-42, to the extent not provided in (a), unless the risk is not material (see paragraphs 29-31 of AASB 101 for a discussion of materiality); and

(c) concentrations of risk if not apparent from (a) and (b).

35 If the quantitative data disclosed as at the end of the reporting period are unrepresentative of an entity's exposure to risk during the period, an entity shall provide further information that is representative.

Credit risk

36 An entity shall disclose by class of financial instrument:

(a) the amount that best represents its maximum exposure to credit risk at the end of the reporting period without taking account of any collateral held or other credit enhancements (e.g. netting agreements that do not qualify for offset in accordance with AASB 132);

(b) in respect of the amount disclosed in (a), a description of collateral held as security and other credit enhancements;

(c) information about the credit quality of financial assets that are neither past due nor impaired; and

(d) the carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated.

Financial assets that are either past due or impaired

37 An entity shall disclose by class of financial asset:

(a) an analysis of the age of financial assets that are past due as at the end of the reporting period but not impaired;

(b) an analysis of financial assets that are individually determined to be impaired as at the end of the reporting period, including the factors the entity considered in determining that they are impaired; and

(c) for the amounts disclosed in (a) and (b), a description of collateral held by the entity as security and other credit enhancements and, unless impracticable, an estimate of their fair value.

Collateral and other credit enhancements obtained

38 When an entity obtains financial or non-financial assets during the period by taking possession of collateral it holds as security or calling on other credit enhancements (e.g. guarantees), and such assets meet the recognition criteria in other Australian Accounting Standards, an entity shall disclose:

(a) the nature and carrying amount of the assets obtained; and

(b) when the assets are not readily convertible into cash, its policies for disposing of such assets or for using them in its operations.

Liquidity risk

39 An entity shall disclose:

(a) a maturity analysis for non-derivative financial liabilities (including issued financial guarantee contracts) that shows the remaining contractual maturities.

(b) a maturity analysis for derivative financial liabilities. The maturity analysis shall include the remaining contractual maturities for those derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows (see paragraph B11B).

(c) a description of how it manages the liquidity risk inherent in (a) and (b).

Market risk

Sensitivity analysis

40 Unless an entity complies with paragraph 41, it shall disclose:

(a) a sensitivity analysis for each type of market risk to which the entity is exposed at the end of the reporting period, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date;

(b) the methods and assumptions used in preparing the sensitivity analysis; and

(c) changes from the previous period in the methods and assumptions used, and the reasons for such changes.

41 If an entity prepares a sensitivity analysis, such as value-at-risk, that reflects interdependencies between risk variables (e.g. interest rates and exchange rates) and uses it to manage financial risks, it may use that sensitivity analysis in place of the analysis specified in paragraph 40. The entity shall also disclose:

(a) an explanation of the method used in preparing such a sensitivity analysis, and of the main parameters and assumptions underlying the data provided; and

(b) an explanation of the objective of the method used and of limitations that may result in the information not fully reflecting the fair value of the assets and liabilities involved.

Other market risk disclosures

42 When the sensitivity analyses disclosed in accordance with paragraph 40 or 41 are unrepresentative of a risk inherent in a financial instrument (e.g. because the year-end exposure does not reflect the exposure during the year), the entity shall disclose that fact and the reason it believes the sensitivity analyses are unrepresentative.

44H AASB 9, issued in November 2009, amended paragraphs 2–5, 8, 9, 12, 20, 29 and 30, added paragraphs 11A, 11B, 12B–12D and 20A and deleted paragraph 12A. It also amended the last paragraph of

Appendix A (Defined terms) and paragraphs B1, B5, B10, B22 and B27, and deleted Appendix D (Amendments to AASB 7 if the Amendments to IAS 39 Financial Instruments: Recognition and Measurement—*The Fair Value Option* have not been applied). An entity shall apply those amendments when it applies AASB 9.

44I When an entity first applies AASB 9, it shall disclose for each class of financial assets at the date of initial application:

(a) the original measurement category and carrying amount determined in accordance with IAS 39;

(b) the new measurement category and carrying amount determined in accordance with AASB 9;

(c) the amount of any financial assets in the statement of financial position that were previously designated as measured at fair value through profit or loss but are no longer so designated, distinguishing between those that AASB 9 requires an entity to reclassify and those that an entity elects to reclassify.

An entity shall present these quantitative disclosures in tabular format unless another format is more appropriate.

44J When an entity first applies AASB 9, it shall disclose qualitative information to enable users to understand:

(a) how it applied the classification requirements in AASB 9 to those financial assets whose classification has changed as a result of applying AASB 9.

(b) the reasons for any designation or de-designation of financial assets or financial liabilities as measured at fair value through profit or loss

AASB 101 *Presentation of Financial Statements*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 101 *Presentation of Financial Statements* showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

Aus1.3	This Standard may be applied to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2009. If an entity adopts this Standard for an earlier period, it shall disclose that fact.
15	Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework. The application of IFRSs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.
RDR15.1	Financial statements shall present fairly the financial position, financial performance and cash flows of an entity applying the Reduced Disclosure Regime. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework. The application of the Reduced Disclosure Regime, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.
Aus15.1	The Corporations Act requires an entity's financial report to comply with Australian Accounting Standards and, if necessary to give a true and fair view, further information to be disclosed in the notes. Australian Accounting Standards encompass Tier 2 requirements.
Aus15.2	An entity shall disclose in the notes a statement whether the financial statements have been prepared in accordance with full IFRSs as adopted in Australia or the Reduced Disclosure Regime.

Aus15.4 An entity shall disclose in the notes that the financial statements are general purpose financial statements, or if applicable, special purpose financial statements.

16 An entity whose financial statements comply with IFRSs shall make an explicit and unreserved statement of such compliance in the notes. An entity shall not describe financial statements as complying with IFRSs unless they comply with all the requirements of IFRSs.

RDR16.1 An entity whose financial statements comply with the Reduced Disclosure Regime (RDR) shall make an explicit and unreserved statement of such compliance in the notes. An entity shall not describe financial statements as complying with the RDR unless they comply with all the requirements of the RDR.

Aus16.1 Where an entity can make the explicit and unreserved statement of compliance in respect of only:

(a) the parent financial statements and notes; or

(b) the consolidated financial statements and notes;

the entity shall make the explicit and unreserved statement of compliance in accordance with paragraph 16 and clearly identify to which financial statements and notes it relates.

RDRAus16.1 Where an entity applying the Reduced Disclosure Regime can make the explicit and unreserved statement of compliance in respect of only:

(a) the parent financial statements and notes; or

(b) the consolidated financial statements and notes;

the entity shall make the explicit and unreserved statement of compliance in accordance with paragraph RDR16.1 and clearly identify to which financial statements and notes it relates.

23 In the extremely rare circumstances in which management concludes that compliance with a requirement in an Australian Accounting Standard would be so misleading that it would conflict with the objective of financial statements set out in the Framework, but the relevant regulatory framework prohibits departure from the requirement, the entity shall, to the maximum

extent possible, reduce the perceived misleading aspects of compliance by disclosing:

(a) the title of the Australian Accounting Standard in question, the nature of the requirement, and the reason why management has concluded that complying with that requirement is so misleading in the circumstances that it conflicts with the objective of financial statements set out in the Framework; and

(b) for each period presented, the adjustments to each item in the financial statements that management has concluded would be necessary to achieve a fair presentation.

24 For the purpose of paragraphs 19 – 23, an item of information would conflict with the objective of financial statements when it does not represent faithfully the transactions, other events and conditions that it either purports to represent or could reasonably be expected to represent and, consequently, it would be likely to influence economic decisions made by users of financial statements. When assessing whether complying with a specific requirement in an Australian Accounting Standard would be so misleading that it would conflict with the objective of financial statements set out in the Framework, management considers:

(a) why the objective of financial statements is not achieved in the particular circumstances; and

(b) how the entity's circumstances differ from those of other entities that comply with the requirement. If other entities in similar circumstances comply with the requirement, there is a rebuttable presumption that the entity's compliance with the requirement would not be so misleading that it would conflict with the objective of financial statements set out in the Framework.

25 When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. An entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going

concern, the entity shall disclose those uncertainties. When an entity does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern.

36 An entity shall present a complete set of financial statements (including comparative information) at least annually. When an entity changes the end of its reporting period and presents financial statements for a period longer or shorter than one year, an entity shall disclose, in addition to the period covered by the financial statements:

(a) the reason for using a longer or shorter period; and

(b) the fact that amounts presented in the financial statements are not entirely comparable.

38 Except when Australian Accounting Standards permit or require otherwise, an entity shall disclose comparative information in respect of the previous period for all amounts reported in the current period's financial statements. An entity shall include comparative information for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.

41 When the entity changes the presentation or classification of items in its financial statements, the entity shall reclassify comparative amounts unless reclassification is impracticable. When the entity reclassifies comparative amounts, the entity shall disclose:

(a) the nature of the reclassification;

(b) the amount of each item or class of items that is reclassified; and

(c) the reason for the reclassification.

42 When it is impracticable to reclassify comparative amounts, an entity shall disclose:

(a) the reason for not reclassifying the amounts; and

(b) the nature of the adjustments that would have been made if the amounts had been reclassified.

61 Whichever method of presentation is adopted, an entity shall disclose the amount expected to be recovered or settled after more than twelve months for each asset and liability line item that combines amounts expected to be recovered or settled:

(a) no more than twelve months after the reporting period, and

(b) more than twelve months after the reporting period.

77 An entity shall disclose, either in the statement of financial position or in the notes, further subclassifications of the line items presented, classified in a manner appropriate to the entity's operations.

78 The detail provided in subclassifications depends on the requirements of Australian Accounting Standards and on the size, nature and function of the amounts involved. An entity also uses the factors set out in paragraph 58 to decide the basis of subclassification. The disclosures vary for each item, for example:

(a) items of property, plant and equipment are disaggregated into classes in accordance with AASB 116;

(b) receivables are disaggregated into amounts receivable from trade customers, receivables from related parties, prepayments and other amounts;

(c) inventories are disaggregated, in accordance with AASB 102 Inventories, into classifications such as merchandise, production supplies, materials, work in progress and finished goods;

(d) provisions are disaggregated into provisions for employee benefits and other items; and

(e) equity capital and reserves are disaggregated into various classes, such as paid-in capital, share premium and reserves.

79 An entity shall disclose the following, either in the statement of financial position or the statement of changes in equity, or in the notes:

(a) for each class of share capital:

(i) the number of shares authorised;

(ii) the number of shares issued and fully paid, and issued but not fully paid;

(iii) par value per share, or that the shares have no par value;

(iv) a reconciliation of the number of shares outstanding at the beginning and at the end of the period;

(v) the rights, preferences and restrictions attaching to that class including restrictions on the distribution of dividends and the repayment of capital;

(vi) shares in the entity held by the entity or by its subsidiaries or associates; and

(vii) shares reserved for issue under options and contracts for the sale of shares, including terms and amounts; and

(b) a description of the nature and purpose of each reserve within equity.

80 An entity without share capital, such as a partnership or trust, shall disclose information equivalent to that required by paragraph 79(a), showing changes during the period in each category of equity interest, and the rights, preferences and restrictions attaching to each category of equity interest.

80A If an entity has reclassified:

(a) a puttable financial instrument classified as an equity instrument; or

(b) an instrument that imposes on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation and is classified as an equity instrument; between financial liabilities and equity, it shall disclose the amount reclassified into and out of each category (financial liabilities or equity), and the timing and reason for that reclassification.

82 **As a minimum, the statement of comprehensive income shall include line items that present the following amounts for the period:**

- **(a)** **revenue;**
- **(b)** **finance costs;**
- **(c)** **share of the profit or loss of associates and joint ventures accounted for using the equity method;**
- **(d)** **tax expense;**
- **(e)** **a single amount comprising the total of:**
  - **(i)** **the post-tax profit or loss of discontinued operations; and**
  - (**ii)** **the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation;**
- **(f)** **profit or loss;**
- **(g)** **each component of other comprehensive income classified by nature (excluding amounts in (h));**
- **(h)** **share of the other comprehensive income of associates and joint ventures accounted for using the equity method; and**
- **(i)** **total comprehensive income.**

83 An entity shall disclose the following items in the statement of comprehensive income as allocations for the period:

- (a) profit or loss for the period attributable to:
  - (i) non-controlling interests; and
  - (ii) owners of the parent; and
- (b) total comprehensive income for the period attributable to:
  - (i) non-controlling interests; and
  - (ii) owners of the parent.

85 **An entity shall present additional line items, headings and subtotals in the statement of comprehensive income and the separate income statement (if presented), when such presentation is relevant to an understanding of the entity's financial performance.**

90 An entity shall disclose the amount of income tax relating to each component of other comprehensive income, including reclassification adjustments, either in the statement of comprehensive income or in the notes.

92 An entity shall disclose reclassification adjustments relating to components of other comprehensive income.

97 When items of income or expense are material, an entity shall disclose their nature and amount separately.

98 Circumstances that would give rise to the separate disclosure of items of income and expense include:

(a) write-downs of inventories to net realisable value or of property, plant and equipment to recoverable amount, as well as reversals of such write-downs;

(b) restructurings of the activities of an entity and reversals of any provisions for the costs of restructuring;

(c) disposals of items of property, plant and equipment;

(d) disposals of investments;

(e) discontinued operations;

(f) litigation settlements; and

(g) other reversals of provisions.

99 **An entity shall present an analysis of expenses recognised in profit or loss using a classification based on either their nature or their function within the entity, whichever provides information that is reliable and more relevant.**

100 Entities are encouraged to present the analysis in paragraph 99 in the statement of comprehensive income or in the separate income statement (if presented).

102 The first form of analysis is the 'nature of expense' method. An entity aggregates expenses within profit or loss according to their nature (for example, depreciation, purchases of materials, transport costs, employee benefits and advertising costs), and does not reallocate them among functions within the entity. This method may be simple to apply because no allocations of expenses to functional classifications are necessary. An example of a classification using the nature of expense method is as follows:

Revenue		X
Other income		X
Changes in inventories of finished goods and work in progress	X	
Raw materials and consumables used	X	
Employee benefits expense	X	
Depreciation and amortisation expense	X	
Other expenses	X	
Total expenses		(X)
Profit before tax		X

103 The second form of analysis is the 'function of expense' or 'cost of sales' method and classifies expenses according to their function as part of cost of sales or, for example, the costs of distribution or administrative activities. At a minimum, an entity discloses its cost of sales under this method separately from other expenses. This method can provide more relevant information to users than the classification of expenses by nature, but allocating costs to functions may require arbitrary allocations and involve considerable judgement. An example of a classification using the function of expense method is as follows:

Revenue	X
Cost of sales	(X)
Gross profit	X
Other income	X
Distribution costs	(X)
Administrative expenses	(X)
Other expenses	(X)
Profit before tax	X

104 An entity classifying expenses by function shall disclose additional information on the nature of expenses, including depreciation and amortisation expense and employee benefits expense.

105 The choice between the function of expense method and the nature of expense method depends on historical and industry factors and the nature of the entity. Both methods provide an indication of those costs that might vary, directly or indirectly, with the level of sales or production of the entity. Because each method of presentation has merit for different types of entities, this Standard requires management to select the presentation that is reliable and more relevant. However, because information on the nature of expenses is useful in predicting future cash flows, additional disclosure is required when the function of expense classification is used. In paragraph 104, 'employee benefits' has the same meaning as in AASB 119.

106 An entity shall present a statement of changes in equity showing in the statement:

(a) total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests;

(b) for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with AASB 108; and

(c) [deleted by the IASB]

(d) for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:

(i) profit or loss;

(ii) each item of other comprehensive income; and

(iii) transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.

107 An entity shall present, either in the statement of changes in equity or in the notes, the amount of dividends recognised as distributions to owners during the period, and the related amount per share.

108 In paragraph 106, the components of equity include, for example, each class of contributed equity, the accumulated balance of each class of other comprehensive income and retained earnings.

110 AASB 108 requires retrospective adjustments to effect changes in accounting policies, to the extent practicable, except when the transition provisions in another Australian Accounting Standard require otherwise. AASB 108 also requires restatements to correct errors to be made retrospectively, to the extent practicable. Retrospective adjustments and retrospective restatements are not changes in equity but they are adjustments to the opening balance of retained earnings, except when an Australian Accounting Standard requires retrospective adjustment of another component of equity. Paragraph 106(b) requires disclosure in the statement of changes in equity of the total adjustment to each component of equity resulting, from changes in accounting policies and separately, from corrections of errors. These adjustments are disclosed for each prior period and the beginning of the period.

112 The notes shall:

(a) present information about the basis of preparation of the financial statements and the specific accounting policies used in accordance with paragraphs 117 – 124;

(b) disclose the information required by Australian Accounting Standards that is not presented elsewhere in the financial statements; and

(c) provide information that is not presented elsewhere in the financial statements, but is relevant to an understanding of any of them.

117 An entity shall disclose in the summary of significant accounting policies:

(a) the measurement basis (or bases) used in preparing the financial statements; and

(b) the other accounting policies used that are relevant to an understanding of the financial statements.

122 An entity shall disclose, in the summary of significant accounting policies or other notes, the judgements, apart from those involving estimations (see paragraph 125), that management has made in the process of applying the entity’s accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

125 An entity shall disclose information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of:

(a) their nature; and

(b) their carrying amount as at the end of the reporting period.

126 Determining the carrying amounts of some assets and liabilities requires estimation of the effects of uncertain future events on those assets and liabilities at the end of the reporting period. For example, in the absence of recently observed market prices, future-oriented estimates are necessary to measure the recoverable amount of classes of property, plant and equipment, the effect of technological obsolescence on inventories, provisions subject to the future outcome of litigation in progress, and long-term

employee benefit liabilities such as pension obligations. These estimates involve assumptions about such items as the risk adjustment to cash flows or discount rates, future changes in salaries and future changes in prices affecting other costs.

127 The assumptions and other sources of estimation uncertainty disclosed in accordance with paragraph 125 relate to the estimates that require management's most difficult, subjective or complex judgements. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgements become more subjective and complex, and the potential for a consequential material adjustment to the carrying amounts of assets and liabilities normally increases accordingly.

128 The disclosures in paragraph 125 are not required for assets and liabilities with a significant risk that their carrying amounts might change materially within the next financial year if, at the end of the reporting period, they are measured at fair value based on recently observed market prices. Such fair values might change materially within the next financial year but these changes would not arise from assumptions or other sources of estimation uncertainty at the end of the reporting period.

129 An entity presents the disclosures in paragraph 125 in a manner that helps users of financial statements to understand the judgements that management makes about the future and about other sources of estimation uncertainty. The nature and extent of the information provided vary according to the nature of the assumption and other circumstances. Examples of the types of disclosures an entity makes are:

(a) the nature of the assumption or other estimation uncertainty;

(b) the sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation, including the reasons for the sensitivity;

(c) the expected resolution of an uncertainty and the range of reasonably possible outcomes within the next financial year in respect of the carrying amounts of the assets and liabilities affected; and

(d) an explanation of changes made to past assumptions concerning those assets and liabilities, if the uncertainty remains unresolved

130 This Standard does not require an entity to disclose budget information or forecasts in making the disclosures in paragraph 125.

131 Sometimes it is impracticable to disclose the extent of the possible effects of an assumption or another source of estimation uncertainty at the end of the reporting period. In such cases, the entity discloses that it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumption could require a material adjustment to the carrying amount of the asset or liability affected. In all cases, the entity discloses the nature and carrying amount of the specific asset or liability (or class of assets or liabilities) affected by the assumption.

132 The disclosures in paragraph 122 of particular judgements that management made in the process of applying the entity's accounting policies do not relate to the disclosures of sources of estimation uncertainty in paragraph 125.

134 An entity shall disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.

135 To comply with paragraph 134, the entity discloses the following:

(a) qualitative information about its objectives, policies and processes for managing capital, including:

(i) a description of what it manages as capital;

(ii) when an entity is subject to externally imposed capital requirements, the nature of those requirements and how those requirements are incorporated into the management of capital; and

(iii) how it is meeting its objectives for managing capital;

(b) summary quantitative data about what it manages as capital. Some entities regard some financial liabilities (e.g.

some forms of subordinated debt) as part of capital. Other entities regard capital as excluding some components of equity (e.g. components arising from cash flow hedges);

(c) any changes in (a) and (b) from the previous period;

(d) whether during the period it complied with any externally imposed capital requirements to which it is subject; and

(e) when the entity has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

The entity bases these disclosures on the information provided internally to key management personnel.

136 An entity may manage capital in a number of ways and be subject to a number of different capital requirements. For example, a conglomerate may include entities that undertake insurance activities and banking activities and those entities may operate in several jurisdictions. When an aggregate disclosure of capital requirements and how capital is managed would not provide useful information or distorts a financial statement user's understanding of an entity's capital resources, the entity shall disclose separate information for each capital requirement to which the entity is subject.

136A For puttable financial instruments classified as equity instruments, an entity shall disclose (to the extent not disclosed elsewhere):

(a) summary quantitative data about the amount classified as equity;

(b) its objectives, policies and processes for managing its obligation to repurchase or redeem the instruments when required to do so by the instrument holders, including any changes from the previous period;

(c) the expected cash outflow on redemption or repurchase of that class of financial instruments; and

(d) information about how the expected cash outflow on redemption or repurchase was determined.

137 An entity shall disclose in the notes:

(a) the amount of dividends proposed or declared before the financial statements were authorised for issue but not recognised as a distribution to owners during the period, and the related amount per share; and

(b) the amount of any cumulative preference dividends not recognised.

138 An entity shall disclose the following, if not disclosed elsewhere in information published with the financial statements:

(a) the domicile and legal form of the entity, its country of incorporation and the address of its registered office (or principal place of business, if different from the registered office);

(b) a description of the nature of the entity's operations and its principal activities;

(c) the name of the parent and the ultimate parent of the group; and

(d) if it is a limited life entity, information regarding the length of its life.

Aus138.1 An entity, other than a group, shall disclose the amounts paid or payable to:

(a) the auditor of the entity for an audit or a review of the financial statements of the entity;

(b) the auditor of the entity for non-audit services in relation to the entity, disclosing separately the nature and amount of each of the non-audit services provided by the auditor; and

(c) a related practice of the auditor for non-audit services in relation to the entity, disclosing separately the nature and amount of each category of non-audit service.

Aus138.2 The following information shall be disclosed in relation to a group, the amounts paid or payable to:

(a) the auditor of the parent of the group, for an audit or a review of the financial statements of any entity in the group;

(b) the auditor of the parent of the group, for non-audit services in relation to any entity in the group, disclosing separately the nature and amount of each of the non-audit services provided by the auditor;

(c) a related practice of the auditor of the parent of the group, for non-audit services in relation to any entity in the group, disclosing separately the nature and amount of each of the non-audit services provided by the auditor;

(d) the auditors of the subsidiaries in the group, other than those disclosed in accordance with paragraph Aus138.2(a), for an audit or a review of the financial statements of those subsidiaries;

(e) the auditors of the subsidiaries in the group, other than those disclosed in accordance with paragraphs Aus138.2(b) and (c), for non-audit services in relation to any entity in the group, disclosing separately the nature and amount of each of the non-audit services provided by the auditor; and

(f) a related practice of the auditors of the subsidiaries in the group, other than those disclosed in accordance with paragraphs Aus138.2(b) and (c), for non-audit services in relation to any entity in the group, disclosing separately the nature and amount of each of the non-audit services provided by the auditor.

Aus138.3 An entity shall disclose for each class of shares included in equity, where either dividends payable were first recognised as a liability during the reporting period or dividends were paid during the reporting period without previously being recognised as a liability:

(a) the amount, in aggregate and per share, of those dividends that have been or will be franked and the tax rate at which those dividends have been or will be franked; and

(b) the amount, in aggregate and per share, of those dividends that have not been or will not be franked.

Aus138.4 An entity shall disclose the amount of franking credits available for subsequent reporting periods to the equity holders in the entity if it is not a group or the parent in a group, by disclosing the balance of the franking account as at the reporting date, adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

Aus138.5 An entity shall disclose the impact on the franking account of dividends proposed or declared before the financial statements were authorised for issue but not recognised as a distribution to equity holders during the period.

Aus138.6 An entity shall disclose the nature and amount of each individual and each class of capital commitments and of other expenditure commitments contracted for as at the reporting date, other than commitments for the supply of inventories, which have not been recognised as liabilities. The disclosures shall be made in the following time bands, according to the time that is expected to elapse from the reporting date to their expected date of settlement:

(a) within twelve months;

(b) twelve months or longer and not longer than five years; and

(c) longer than five years.

AASB 102 *Inventories*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 102 *Inventories*, showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

Disclosure

36. The financial statements shall disclose:

(a) the accounting policies adopted in measuring inventories, including the cost formula used;

(b) the total carrying amount of inventories and the carrying amount in classifications appropriate to the entity;

(c) the carrying amount of inventories carried at fair value less costs to sell;

(d) the amount of inventories recognised as an expense during the period;

(e) the amount of any write-down of inventories recognised as an expense in the period in accordance with paragraph 34;

(f) the amount of any reversal of any write-down that is recognised as a reduction in the amount of inventories recognised as expense in the period in accordance with paragraph 34;

(g) the circumstances or events that led to the reversal of a write-down of inventories in accordance with paragraph 34; and

(h) the carrying amount of inventories pledged as security for liabilities.

37. Information about the carrying amounts held in different classifications of inventories and the extent of the changes in these assets is useful to financial statement users. Common classifications of inventories are merchandise, production supplies, materials, work in progress and finished goods. The inventories of a service provider may be described as work in progress.

38. The amount of inventories recognised as an expense during the period, which is often referred to as cost of sales, consists of those costs previously included in the measurement of inventory that has now been sold and unallocated production overheads and abnormal amounts of production costs of inventories. The circumstances of the entity may also warrant the inclusion of other amounts, such as distribution costs.

39. Some entities adopt a format for profit or loss that results in amounts being disclosed other than the cost of inventories recognised as an expense during the period. Under this format, an entity presents an analysis of expenses using a classification based on the nature of expenses. In this case, the entity discloses the costs recognised as an expense for raw materials and consumables, labour costs and other costs together with the amount of the net change in inventories for the period.

AASB 107 *Statement of Cash Flows*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 107 *Statement of Cash Flows*, showing requirements from which entities applying the RDR should be exempt as shaded text.

Aus20.1 When an entity uses the direct method, a reconciliation of cash flows arising from operating activities to profit or loss shall be disclosed in the complete set of financial statements.

Aus20.2 Notwithstanding paragraph Aus20.1, not-for-profit entities that use the direct method and that highlight the net cost of services in their statement of comprehensive income for the reporting period shall disclose in the complete set of financial statements a reconciliation of cash flows arising from operating activities to net cost of services as reported in the statement of comprehensive income.

31 Cash flows from interest and dividends received and paid shall each be disclosed separately. Each shall be classified in a consistent manner from period to period as either operating, investing or financing activities.

35 Cash flows arising from taxes on income shall be separately disclosed and shall be classified as cash flows from operating activities unless they can be specifically identified with financing and investing activities.

36 Taxes on income arise on transactions that give rise to cash flows that are classified as operating, investing or financing activities in a statement of cash flows. While tax expense may be readily identifiable with investing or financing activities, the related tax cash flows are often impracticable to identify and may arise in a different period from the cash flows of the underlying transaction. Therefore, taxes paid are usually classified as cash flows from operating activities. However, when it is practicable to identify the tax cash flow with an individual transaction that gives rise to cash flows that are classified as investing or financing activities the tax cash flow is classified as an investing or financing activity as appropriate. When tax cash flows are allocated over more than one class of activity, the total amount of taxes paid is disclosed.

40 An entity shall disclose, in aggregate, in respect of both acquisitions and disposals of subsidiaries or other business units during the period each of the following:

(a) the total purchase or disposal consideration;

(b) the portion of the purchase or disposal consideration discharged by means of cash and cash equivalents;

(c) the amount of cash and cash equivalents in the subsidiary or business unit acquired or disposed of; and

(d) the amount of the assets and liabilities other than cash or cash equivalents in the subsidiary or business unit acquired or disposed of, summarised by each major category.

43 Investing and financing transactions that do not require the use of cash or cash equivalents shall be excluded from a statement of cash flows. Such transactions shall be disclosed elsewhere in the financial statements in a way that provides all the relevant information about these investing and financing activities.

45 An entity shall disclose the components of cash and cash equivalents and shall present a reconciliation of the amounts in its statement of cash flows with the equivalent items reported in the statement of financial position.

46 In view of the variety of cash management practices and banking arrangements around the world and in order to comply with AASB 101 *Presentation of Financial Statements*, an entity discloses the policy which it adopts in determining the composition of cash and cash equivalents.

48 An entity shall disclose, together with a commentary by management, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the group.

AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors:* Text of Proposed Disclosures

The following are the disclosure requirements of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

21 In the absence of an Australian Accounting Standard that specifically applies to a transaction, other event or condition, management may, in accordance with paragraph 12, apply an accounting policy from the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards. If, following an amendment of such a pronouncement, the entity chooses to change an accounting policy, that change is accounted for and disclosed as a voluntary change in accounting policy.

28 When initial application of an Australian Accounting Standard has an effect on the current period or any prior period, would have such an effect except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose:

(a) the title of the Australian Accounting Standard;

(b) when applicable, that the change in accounting policy is made in accordance with its transitional provisions;

(c) the nature of the change in accounting policy;

(d) when applicable, a description of the transitional provisions;

(e) when applicable, the transitional provisions that might have an effect on future periods;

(f) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:

(i) for each financial statement line item affected; and

(ii) if AASB 133 Earnings per Share applies to the entity, for basic and diluted earnings per share;

(g) the amount of the adjustment relating to periods before those presented, to the extent practicable; and

(h) if retrospective application required by paragraph 19(a) or (b) is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Financial statements of subsequent periods need not repeat these disclosures.

29 When a voluntary change in accounting policy has an effect on the current period or any prior period, would have an effect on that period except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose:

(a) the nature of the change in accounting policy;

(b) the reasons why applying the new accounting policy provides reliable and more relevant information;

(c) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:

(i) for each financial statement line item affected; and

(ii) if AASB 133 applies to the entity, for basic and diluted earnings per share;

(d) the amount of the adjustment relating to periods before those presented, to the extent practicable; and

(e) if retrospective application is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Financial statements of subsequent periods need not repeat these disclosures.

30 **When an entity has not applied a new Australian Accounting Standard that has been issued but is not yet effective, the entity shall disclose:**

- **(a)** **this fact; and**
- **(b)** **known or reasonably estimable information relevant to assessing the possible impact that application of the new Australian Accounting Standard will have on the entity's financial statements in the period of initial application.**

31 In complying with paragraph 30, an entity considers disclosing:

- (a) the title of the new Australian Accounting Standard;
- (b) the nature of the impending change or changes in accounting policy;
- (c) the date by which application of the Australian Accounting Standard is required;
- (d) the date as at which it plans to apply the Australian Accounting Standard initially; and
- (e) either:
  - (i) a discussion of the impact that initial application of the Australian Accounting Standard is expected to have on the entity's financial statements; or
  - (ii) if that impact is not known or reasonably estimable, a statement to that effect.

39 **An entity shall disclose the nature and amount of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in future periods, except for the disclosure of the effect on future periods when it is impracticable to estimate that effect.**

40 **If the amount of the effect in future periods is not disclosed because estimating it is impracticable, an entity shall disclose that fact.**

49 **In applying paragraph 42, an entity shall disclose the following:**

- **(a)** **the nature of the prior period error;**

(b) for each prior period presented, to the extent practicable, the amount of the correction:

(i) for each financial statement line item affected; and

(ii) if AASB 133 applies to the entity, for basic and diluted earnings per share;

(c) the amount of the correction at the beginning of the earliest prior period presented; and

(d) if retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.

Financial statements of subsequent periods need not repeat these disclosures.

AASB 110 *Events after the Reporting Period*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 110 *Events after the Reporting Date*, showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

Disclosure

Date of Authorisation for Issue

17 An entity shall disclose the date when the financial statements were authorised for issue and who gave that authorisation. If the entity's owners or others have the power to amend the financial statements after issue, the entity shall disclose that fact.

18 It is important for users to know when the financial statements were authorised for issue, because the financial statements do not reflect events after this date.

Updating Disclosure about Conditions at the End of the Reporting Period

19 If an entity receives information after the end of the reporting period about conditions that existed at the end of the reporting period, it shall update disclosures that relate to these conditions, in the light of the new information.

20 In some cases, an entity needs to update the disclosures in its financial statements to reflect information received after the end of the reporting period, even when the information does not affect the amounts that it recognises in its financial statements. One example of the need to update disclosures is when evidence becomes available after the end of the reporting period about a contingent liability that existed at the end of the reporting period. In addition to considering whether it should recognise or change a provision under AASB 137, an entity updates its disclosures about the contingent liability in the light of that evidence.

Non-adjusting Events after the End of the Reporting Period

21 If non-adjusting events after the end of the reporting period are material, non-disclosure could influence the economic decisions that users make on the basis of the financial statements.

Accordingly, an entity shall disclose the following for each material category of non-adjusting event after the end of the reporting period:

(a) **(a) the nature of the event; and**

(b) **(b) an estimate of its financial effect, or a statement that such an estimate cannot be made.**

22 The following are examples of non-adjusting events after the end of the reporting period that would generally result in disclosure:

(a) a major business combination after the end of the reporting period (AASB 3 *Business Combinations* requires specific disclosures in such cases) or disposing of a major subsidiary;

(b) announcing a plan to discontinue an operation;

(c) major purchases of assets, classification of assets as held for sale in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations, other disposals of assets, or expropriation of major assets by government;

(d) the destruction of a major production plant by a fire after the end of the reporting period;

(e) announcing, or commencing the implementation of, a major restructuring (see AASB 137);

(f) major ordinary share transactions and potential ordinary share transactions after the end of the reporting period (AASB 133 Earnings per Share requires an entity to disclose a description of such transactions, other than when such transactions involve capitalisation or bonus issues, share splits or reverse share splits (all of which are required to be adjusted under AASB 133));

(g) abnormally large changes after the end of the reporting period in asset prices or foreign exchange rates;

(h) changes in tax rates or tax laws enacted or announced after the end of the reporting period that have a significant effect on current and deferred tax assets and liabilities (see AASB 112 Income Taxes);

(i) entering into significant commitments or contingent liabilities, for example, by issuing significant guarantees; and

(j) commencing major litigation arising solely out of events that occurred after the end of the reporting period.

AASB 111 *Construction* Contracts: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 111 *Construction Contracts*, showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

Disclosure

39 An entity shall disclose:

(a) the amount of contract revenue recognised as revenue in the period;

(b) the methods used to determine the contract revenue recognised in the period; and

(c) the methods used to determine the stage of completion of contracts in progress.

40 An entity shall disclose each of the following for contracts in progress at the end of the reporting period:

(a) the aggregate amount of costs incurred and recognised profits (less recognised losses) to date;

(b) the amount of advances received; and

(c) the amount of retentions.

41 Retentions are amounts of progress billings that are not paid until the satisfaction of conditions specified in the contract for the payment of such amounts or until defects have been rectified. Progress billings are amounts billed for work performed on a contract whether or not they have been paid by the customer. Advances are amounts received by the contractor before the related work is performed.

42 An entity shall present:

(a) the gross amount due from customers for contract work as an asset; and

(b) the gross amount due to customers for contract work as a liability.

43 The gross amount due from customers for contract work is the net amount of:

(a) costs incurred plus recognised profits; less

(b) the sum of recognised losses and progress billings;

for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings.

44 The gross amount due to customers for contract work is the net amount of:

(a) costs incurred plus recognised profits; less

(b) the sum of recognised losses and progress billings;

for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

45 An entity discloses any contingent liabilities and contingent assets in accordance with AASB 137 *Provisions,* Contingent *Liabilities and Contingent Assets*. Contingent liabilities and contingent assets may arise from such items as warranty costs, claims, penalties or possible losses.

AASB 112 *Income Taxes*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 112 *Income Taxes*, showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

Disclosure

79. The major components of tax expense (income) shall be disclosed separately.

80. Components of tax expense (income) may include:

    (a) current tax expense (income);

    (b) any adjustments recognised in the period for current tax of prior periods;

    (c) the amount of deferred tax expense (income) relating to the origination and reversal of temporary differences;

    (d) the amount of deferred tax expense (income) relating to changes in tax rates or the imposition of new taxes;

    (e) the amount of the benefit arising from a previously unrecognised tax loss, tax credit or temporary difference of a prior period that is used to reduce current tax expense;

    (f) the amount of the benefit from a previously unrecognised tax loss, tax credit or temporary difference of a prior period that is used to reduce deferred tax expense;

    (g) deferred tax expense arising from the write-down, or reversal of a previous write-down, of a deferred tax asset in accordance with paragraph 56; and

    (h) the amount of tax expense (income) relating to those changes in accounting policies and errors that are included in profit or loss in accordance with AASB 108, because they cannot be accounted for retrospectively.

81. The following shall also be disclosed separately:

(a) the aggregate current and deferred tax relating to items that are charged or credited directly to equity (see paragraph 62A);

(ab) the amount of income tax relating to each component of other comprehensive income (see paragraph 62 and AASB 101 (as revised in 2007));

(b) [Deleted by the IASB];

(c) an explanation of the relationship between tax expense (income) and accounting profit in the following forms:

(i) a numerical reconciliation between tax expense (income) and the product of accounting profit multiplied by the applicable tax rate(s), disclosing also the basis on which the applicable tax rate(s) is (are) computed; or

(ii) a numerical reconciliation between the average effective tax rate and the applicable tax rate, disclosing also the basis on which the applicable tax rate is computed;

(d) an explanation of changes in the applicable tax rate(s) compared to the previous reporting period;

(e) the amount (and expiry date, if any) of deductible temporary differences, unused tax losses, and unused tax credits for which no deferred tax asset is recognised in the balance sheet;

(f) the aggregate amount of temporary differences associated with investments in subsidiaries, branches and associates and interests in joint ventures, for which deferred tax liabilities have not been recognised (see paragraph 39);

(g) in respect of each type of temporary difference, and in respect of each type of unused tax loss and unused tax credit:

(i) the amount of the deferred tax assets and liabilities recognised in the balance sheet for each period presented; and

(ii) the amount of the deferred tax income or expense recognised in the income statement, if this is not

apparent from the changes in the amounts recognised in the balance sheet;

(h) in respect of discontinued operations, the tax expense relating to:

(i) the gain or loss on discontinuance; and

(ii) the profit or loss from the ordinary activities of the discontinued operation for the period, together with the corresponding amounts for each prior period presented;

(i) the amount of income tax consequences of dividends to shareholders of the entity that were proposed or declared before the financial statements were authorised for issue, but are not recognised as a liability in the financial statements;

(j) if a business combination in which the entity is the acquirer causes a change in the amount recognised for its pre-acquisition deferred tax asset (see paragraph 67), the amount of that change; and

(k) if the deferred tax benefits acquired in a business combination are not recognised at the acquisition date but are recognised after the acquisition date (see paragraph 68), a description of the event or change in circumstances that caused the deferred tax benefits to be recognised.

82. An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:

(a) the utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences; and

(b) the entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

82A. In the circumstances described in paragraph 52A, an entity shall disclose the nature of the potential income tax consequences that would result from the payment of dividends to its shareholders. In addition, the entity shall disclose the amounts of the potential income tax consequences practicably determinable and whether

there are any potential income tax consequences not practicably determinable.

84. The disclosure required by paragraph 81(c) enables users of financial statements to understand whether the relationship between tax expense (income) and accounting profit is unusual and to understand the significant factors that could affect that relationship in the future. The relationship between tax expense (income) and accounting profit may be affected by such factors as revenue that is exempt from taxation, expenses that are not deductible in determining taxable profit (tax loss), the effect of tax losses and the effect of foreign tax rates.

85. In explaining the relationship between tax expense (income) and accounting profit, an entity uses an applicable tax rate that provides the most meaningful information to the users of its financial statements. Often, the most meaningful rate is the domestic rate of tax in the country in which the entity is domiciled, aggregating the tax rate applied for national taxes with the rates applied for any local taxes which are computed on a substantially similar level of taxable profit (tax loss). However, for an entity operating in several jurisdictions, it may be more meaningful to aggregate separate reconciliations prepared using the domestic rate in each individual jurisdiction. The following example illustrates how the selection of the applicable tax rate affects the presentation of the numerical reconciliation.

86. The average effective tax rate is the tax expense (income) divided by the accounting profit.

87. It would often be impracticable to compute the amount of unrecognised deferred tax liabilities arising from investments in subsidiaries, branches and associates and interests in joint ventures (see paragraph 39). Therefore, this Standard requires an entity to disclose the aggregate amount of the underlying temporary differences but does not require disclosure of the deferred tax liabilities. Nevertheless, where practicable, entities are encouraged to disclose the amounts of the unrecognised deferred tax liabilities because financial statement users may find such information useful.

87A. Paragraph 82A requires an entity to disclose the nature of the potential income tax consequences that would result from the payment of dividends to its shareholders. An entity discloses the important features of the income tax systems and the factors that will affect the amount of the potential income tax consequences of dividends.

87B. It would sometimes not be practicable to compute the total amount of the potential income tax consequences that would result from the payment of dividends to shareholders. This may be the case, for example, where an entity has a large number of foreign subsidiaries. However, even in such circumstances, some portions of the total amount may be easily determinable. For example, in a consolidated group, a parent and some of its subsidiaries may have paid income taxes at a higher rate on undistributed profits and be aware of the amount that would be refunded on the payment of future dividends to shareholders from consolidated retained earnings. In this case, that refundable amount is disclosed. If applicable, the entity also discloses that there are additional potential income tax consequences not practicably determinable. In the parent's separate financial statements, if any, the disclosure of the potential income tax consequences relates to the parent's retained earnings.

87C. An entity required to provide the disclosures in paragraph 82A may also be required to provide disclosures related to temporary differences associated with investments in subsidiaries, branches and associates or interests in joint ventures. In such cases, an entity considers this in determining the information to be disclosed under paragraph 82A. For example, an entity may be required to disclose the aggregate amount of temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognised (see paragraph 81(f)). If it is impracticable to compute the amounts of unrecognised deferred tax liabilities (see paragraph 87) there may be amounts of potential income tax consequences of dividends not practicably determinable related to these subsidiaries.

88. An entity discloses any tax-related contingent liabilities and contingent assets in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. Contingent liabilities and contingent assets may arise, for example, from unresolved disputes with the taxation authorities. Similarly, where changes in tax rates or tax laws are enacted or announced after the reporting date, an entity discloses any significant effect of those changes on its current and deferred tax assets and liabilities (see AASB 110 *Events after the Balance Sheet Date*).

AASB 116 *Property, Plant and Equipment*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 116 *Property, Plant and Equipment* (2004, as amended), showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

Disclosure

73. The financial statements shall disclose, for each class of property, plant and equipment:

    (a) the measurement bases used for determining the gross carrying amount;

    (b) the depreciation methods used;

    (c) the useful lives or the depreciation rates used;

    (d) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period; and

    (e) a reconciliation of the carrying amount at the beginning and end of the period showing:

        (i) additions;

        (ii) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with AASB 5 and other disposals;

        (iii) acquisitions through business combinations;

        (iv) increases or decreases resulting from revaluations under paragraphs 31, 39, Aus39.1, 40, Aus40.1 and Aus40.2 and from impairment losses recognised or reversed in other comprehensive income in accordance with AASB 136;

        (v) impairment losses recognised in profit or loss in accordance with AASB 136;

        (vi) impairment losses reversed in profit or loss in accordance with AASB 136;

        (vii) depreciation;

(viii) the net exchange differences arising on the translation of the financial statements from the functional currency into a different presentation currency, including the translation of a foreign operation into the presentation currency of the reporting entity; and

(ix) other changes.

RDR73.1 In respect of entities applying the Reduced Disclosure Regime, the reconciliation in paragraph 73(e) need not be presented for prior periods.

74. The financial statements shall also disclose:

(a) the existence and amounts of restrictions on title, and property, plant and equipment pledged as security for liabilities;

(b) the amount of expenditures recognised in the carrying amount of an item of property, plant and equipment in the course of its construction;

(c) the amount of contractual commitments for the acquisition of property, plant and equipment; and

(d) if it is not disclosed separately on the face of the income statement, the amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in profit or loss.

75. Selection of the depreciation method and estimation of the useful life of assets are matters of judgement. Therefore, disclosure of the methods adopted and the estimated useful lives or depreciation rates provides users of the financial statements with information that allows them to review the policies selected by management and enables comparisons to be made with other entities. For similar reasons, it is necessary to disclose:

(a) depreciation, whether recognised in profit or loss or as a part of the cost of other assets, during a period; and

(b) accumulated depreciation at the end of the period.

76. In accordance with AASB 108 an entity discloses the nature and effect of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in subsequent periods. For

property, plant and equipment, such disclosure may arise from changes in estimates with respect to:

(a) residual values;

(b) the estimated costs of dismantling, removing or restoring items of property, plant and equipment;

(c) useful lives; and

(d) depreciation methods.

77. If items of property, plant and equipment are stated at revalued amounts, the following shall be disclosed:

(a) the effective date of the revaluation;

(b) whether an independent valuer was involved;

(c) the methods and significant assumptions applied in estimating the items' fair values;

(d) the extent to which the items' fair values were determined directly by reference to observable prices in an active market or recent market transactions on arm's length terms or were estimated using other valuation techniques;

(e) for each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model; and

(f) the revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders.

Aus77.1 Notwithstanding paragraph 77(e), in respect of not-for-profit entities, for each revalued class of property, plant and equipment, the requirement to disclose the carrying amount that would have been recognised had the assets been carried under the cost model does not apply.

78. In accordance with AASB 136 an entity discloses information on impaired property, plant and equipment in addition to the information required by paragraph 73(e)(iv)-(vi).

79. Users of financial statements may also find the following information relevant to their needs:

(a) the carrying amount of temporarily idle property, plant and equipment;

(b) the gross carrying amount of any fully depreciated property, plant and equipment that is still in use;

(c) the carrying amount of property, plant and equipment retired from active use and not classified as held for sale in accordance with AASB 5; and

(d) when the cost model is used, the fair value of property, plant and equipment when this is materially different from the carrying amount.

Therefore, entities are encouraged to disclose these amounts.

AASB 117 *Leases*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 117 *Leases*, showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

Disclosure

Leases in the Financial Statements of Lessees

Finance Leases

31. Lessees shall, in addition to meeting the requirements of AASB 7 *Financial Instruments: Disclosures*, make the following disclosures for finance leases:

(a) for each class of asset, the net carrying amount at the reporting date;

(b) a reconciliation between the total of future minimum lease payments at the reporting date, and their present value. In addition, an entity shall disclose the total of future minimum lease payments at the reporting date, and their present value, for each of the following periods:

(i) not later than one year;

(ii) later than one year and not later than five years;

(iii) later than five years;

(c) contingent rents recognised as an expense in the period;

(d) the total of future minimum sublease payments expected to be received under non-cancellable subleases at the reporting date; and

(e) a general description of the lessee's material leasing arrangements including, but not limited to, the following:

(i) the basis on which contingent rent payable is determined;

(ii) the existence and terms of renewal or purchase options and escalation clauses; and

(iii) **restrictions imposed by lease arrangements, such as those concerning dividends, additional debt, and further leasing.**

32. In addition, the requirements for disclosure in accordance with AASB 116, AASB 136, AASB 138, AASB 140 and AASB 141 apply to lessees for assets leased under finance leases.

Operating Leases

35. Lessees shall, in addition to meeting the requirements of AASB 7, make the following disclosures for operating leases:

(a) the total of future minimum lease payments under noncancellable operating leases for each of the following periods:

(i) not later than one year;

(ii) later than one year and not later than five years;

(iii) later than five years;

(b) the total of future minimum sublease payments expected to be received under non-cancellable subleases at the reporting date;

(c) lease and sublease payments recognised as an expense in the period, with separate amounts for minimum lease payments, contingent rents, and sublease payments;

(d) a general description of the lessee's significant leasing arrangements including, but not limited to, the following:

(i) the basis on which contingent rent payable is determined;

(ii) the existence and terms of renewal or purchase options and escalation clauses; and

(iii) restrictions imposed by lease arrangements, such as those concerning dividends, additional debt, and further leasing.

Leases in the Financial Statements of Lessors

Finance Leases

47. Lessors shall, in addition to meeting the requirements in AASB 7, disclose the following for finance leases:

(a) a reconciliation between the gross investment in the lease at the reporting date, and the present value of minimum lease payments receivable at the reporting date. In addition, an entity shall disclose the gross investment in the lease and the present value of minimum lease payments receivable at the reporting date, for each of the following periods:

(i) not later than one year;

(ii) later than one year and not later than five years;

(iii) later than five years;

(b) unearned finance income;

(c) the unguaranteed residual values accruing to the benefit of the lessor;

(d) the accumulated allowance for uncollectible minimum lease payments receivable;

(e) contingent rents recognised as income in the period; and

(f) a general description of the lessor's material leasing arrangements.

48. As an indicator of growth it is often useful also to disclose the gross investment less unearned income in new business added during the period, after deducting the relevant amounts for cancelled leases.

Operating Leases

56. Lessors shall, in addition to meeting the requirements of AASB 7, disclose the following for operating leases:

(a) the future minimum lease payments under non-cancellable operating leases in the aggregate and for each of the following periods:

(i) not later than one year;

(ii) later than one year and not later than five years;

    (iii) later than five years;

  (b) total contingent rents recognised as income in the period; and

  (c) a general description of the lessor's leasing arrangements.

57. In addition, the disclosure requirements in AASB 116, AASB 136, AASB 138, AASB 140 and AASB 141 apply to lessors for assets provided under operating leases.

65. Disclosure requirements for lessees and lessors apply equally to sale and leaseback transactions. The required description of material leasing arrangements leads to disclosure of unique or unusual provisions of the agreement or terms of the sale and leaseback transactions.

66. Sale and leaseback transactions may trigger the separate disclosure criteria in AASB 101 *Presentation of Financial Statements*.

AASB 118 *Revenue*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 118 *Revenue* (2004, as amended). It is proposed that they be retained without amendment in the RDR.

Disclosure

35. An entity shall disclose:

- **(a) the accounting policies adopted for the recognition of revenue including the methods adopted to determine the stage of completion of transactions involving the rendering of services;**
- **(b) the amount of each significant category of revenue recognised during the period including revenue arising from:**
  - **(i) the sale of goods;**
  - **(ii) the rendering of services;**
  - **(iii) interest;**
  - **(iv) royalties; and**
  - **(v) dividends.**
- **(c) the amount of revenue arising from exchanges of goods or services included in each significant category of revenue.**

36. An entity discloses any contingent liabilities and contingent assets in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. Contingent liabilities and contingent assets may arise from items such as warranty costs, claims, penalties or possible losses.

AASB 119 *Employee Benefits:* Text of Proposed Disclosures

The following are the disclosure requirements of AASB 119 *Employee Benefits*, showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

Short-term Employee Benefits

Disclosure

23. Although this Standard does not require specific disclosures about short-term employee benefits, other Australian Accounting Standards may require disclosures. For example, AASB 124 requires disclosure about employee benefits for key management personnel. AASB 101 *Presentation of Financial Statements* requires disclosure of employee benefits expense.

Multi-employer Plans

29 An entity shall classify a multi-employer plan as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms). Where a multi-employer plan is a defined benefit plan, an entity shall:

- **(a) account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan; and**
- **(b) disclose the information required by paragraph 120A.**

30 When sufficient information is not available to use defined benefit accounting for a multi-employer plan that is a defined benefit plan, an entity shall:

- **(a) account for the plan under paragraphs 44-46 as if it were a defined contribution plan;**
- **(b) disclose:**
  - **(i) the fact that the plan is a defined benefit plan; and**

(ii) **the reason why sufficient information is not available to enable the entity to account for the plan as a defined benefit plan; and**

(c) **to the extent that a surplus or deficit in the plan may affect the amount of future contributions, disclose in addition:**

(i) **any available information about that surplus or deficit;**

(ii) **the basis used to determine that surplus or deficit; and**

(iii) **the implications, if any, for the entity.**

34B Participation in such a plan is a related party transaction for each individual group entity. An entity shall therefore, in its separate or individual financial statements, make the following disclosures:

(a) the contractual agreement or stated policy for charging the net defined benefit cost or the fact that there is no such policy;

(b) the policy for determining the contribution to be paid by the entity;

(c) if the entity accounts for an allocation of the net defined benefit cost in accordance with paragraph 34A, all the information about the plan as a whole in accordance with paragraphs 120-121; and

(d) if the entity accounts for the contribution payable for the period in accordance with paragraph 34A, the information about the plan as a whole required in accordance with paragraphs 120A(b)-(e), (j), (n), (o), (q) and 121. The other disclosures required by paragraph 120A do not apply.

….

State Plans

36 An entity shall account for a state plan in the same way as for a multi-employer plan (see paragraphs 29 and 30).

Insured Benefits

39 An entity may pay insurance premiums to fund a post-employment benefit plan. The entity shall treat such a plan as a defined

contribution plan unless the entity will have (either directly, or indirectly through the plan) a legal or constructive obligation to either:

- **(a) pay the employee benefits directly when they fall due; or**
- **(b) pay further amounts if the insurer does not pay all future employee benefits relating to employee service in the current and prior periods.**

If the entity retains such a legal or constructive obligation, the entity shall treat the plan as a defined benefit plan.

Post-employment Benefits: Defined Contribution Plans

Disclosure

46. An entity shall disclose the amount recognised as an expense for defined contribution plans.

47. Where required by AASB 124 an entity discloses information about contributions to defined contribution plans for key management personnel.

Post-employment Benefits: Defined Benefit Plans

Disclosure

120. An entity shall disclose information that enables users of financial reports to evaluate the nature of its defined benefit plans and the financial effects of changes in those plans during the period.

120A. An entity shall disclose the following information about defined benefit plans:

- **(a) the entity's accounting policy for recognising actuarial gains and losses;**
- **(b) a general description of the type of plan;**
- **(c) a reconciliation of opening and closing balances of the present value of the defined benefit obligation showing separately, if applicable, the effects during the period attributable to each of the following:**
  - **(i) current service cost;**

(ii) **interest cost;**

(iii) **contributions by plan participants;**

(iv) **actuarial gains and losses;**

(v) **foreign currency exchange rate changes in plans measured in a currency different from the entity's presentation currency;**

(vi) **benefits paid;**

(vii) **past service cost;**

(viii) **business combinations;**

(ix) **curtailments; and**

(x) **settlements;**

(d) **an analysis of the defined benefit obligation into amounts arising from plans that are wholly unfunded and amounts arising from plans that are wholly or partly funded;**

(e) **a reconciliation of the opening and closing balances of the fair value of plan assets and of the opening and closing balances of any reimbursement right recognised as an asset in accordance with paragraph 104A showing separately, if applicable, the effects during the period attributable to each of the following:**

(i) **expected return on plan assets;**

(ii) **actuarial gains and losses;**

(iii) **foreign currency exchange rate changes on plans measured in a currency different from the entity's presentation currency;**

(iv) **contributions by the employer;**

(v) **contributions by plan participants;**

(vi) **benefits paid;**

(vii) **business combinations; and**

(viii) **settlements;**

(f) a reconciliation of the present value of the defined benefit obligation in (c) and the fair value of the plan assets in (e) to the assets and liabilities recognised in the statement of financial position, showing at least:

- **(i) the net actuarial gains or losses not recognised in the statement of financial position (see paragraph 92);**
- **(ii) the past service cost not recognised in the statement of financial position (see paragraph 96);**
- **(iii) any amount not recognised as an asset, because of the limit in paragraph 58(b);**
- **(iv) the fair value at the reporting date of any reimbursement right recognised as an asset in accordance with paragraph 104A (with a brief description of the link between the reimbursement right and the related obligation); and**
- **(v) the other amounts recognised in the statement of financial position;**

(g) the total expense recognised in profit or loss for each of the following, and the line item(s) in which they are included:

- **(i) current service cost;**
- **(ii) interest cost;**
- **(iii) expected return on plan assets;**
- **(iv) expected return on any reimbursement right recognised as an asset in accordance with paragraph 104A;**
- **(v) actuarial gains and losses;**
- **(vi) past service cost;**
- **(vii) the effect of any curtailment or settlement; and**
- **(viii) the effect of the limit in paragraph 58(b);**

(h) the total amount recognised in other comprehensive income for each of the following:

- **(i) actuarial gains and losses; and**

(ii) the effect of the limit in paragraph 58(b);

(i) for entities that recognise actuarial gains and losses in other comprehensive income in accordance with paragraph 93A, the cumulative amount of actuarial gains and losses recognised in other comprehensive income;

(j) for each major category of plan assets, which shall include, but is not limited to, equity instruments, debt instruments, property, and all other assets, the percentage or amount that each major category constitutes of the fair value of the total plan assets;

(k) the amounts included in the fair value of plan assets for:

(i) each category of the entity's own financial instruments; and

(ii) any property occupied by, or other assets used by, the entity;

(l) a narrative description of the basis used to determine the overall expected rate of return on assets, including the effect of the major categories of plan assets;

(m) the actual return on plan assets, as well as the actual return on any reimbursement right recognised as an asset in accordance with paragraph 104A;

(n) the principal actuarial assumptions used as at the reporting date, including, when applicable:

(i) the discount rates;

(ii) the expected rates of return on any plan assets for the periods presented in the financial report;

(iii) the expected rates of return for the periods presented in the financial statements on any reimbursement right recognised as an asset in accordance with paragraph 104A;

(iv) the expected rates of salary increases (and of changes in an index or other variable specified in the formal or constructive terms of a plan as the basis for future benefit increases);

(v) medical cost trend rates; and

(vi) any other material actuarial assumptions used.

An entity shall disclose each actuarial assumption in absolute terms (for example, as an absolute percentage) and not just as a margin between different percentages or other variables;

(o) the effect of an increase of one percentage point and the effect of a decrease of one percentage point in the assumed medical cost trend rates on:

(i) the aggregate of the current service cost and interest cost components of net periodic post-employment medical costs; and

(ii) the accumulated post-employment benefit obligation for medical costs.

For the purpose of this disclosure, all other assumptions shall be held constant. For plans operating in a high inflation environment, the disclosure shall be the effect of a percentage increase or decrease in the assumed medical cost trend rate of a significance similar to one percentage point in a low inflation environment;

(p) the amounts for the current annual reporting period and previous four annual reporting periods of:

(i) the present value of the defined benefit obligation, the fair value of the plan assets and the surplus or deficit in the plan; and

(ii) the experience adjustments arising on:

(A) the plan liabilities expressed either as (1) an amount or (2) a percentage of the plan liabilities at the end of the reporting period; and

(B) the plan assets expressed either as (1) an amount or (2) a percentage of the plan assets at the end of the reporting period;

(q) the employer's best estimate, as soon as it can reasonably be determined, of contributions expected to be paid to the plan during the annual reporting period beginning after the end of the reporting period.

RDR120A.1 Entities applying the Reduced Disclosure Regime need not present the reconciliations in paragraphs 120A(c) and 120A(e) above for prior periods.

121. Paragraph 120A(b) requires a general description of the type of plan. Such a description distinguishes, for example, flat salary pension plans from final salary pension plans and from post-employment medical plans. The description of the plan shall include informal practices that give rise to constructive obligations included in the measurement of the defined benefit obligation in accordance with paragraph 52. Further detail is not required.

124. Where required by AASB 124 an entity discloses information about:

(a) related party transactions with post-employment benefit plans; and

(b) post-employment benefits for key management personnel.

125. Where required by AASB 137 an entity discloses information about contingent liabilities arising from post-employment benefit obligations.

Other Long-term Employee Benefits

Disclosure

131. Although this Standard does not require specific disclosures about other long-term employee benefits, other Australian Accounting Standards may require disclosures, for example, where the expense resulting from such benefits is material and so would require disclosure in accordance with AASB 101. When required by AASB 124 an entity discloses information about other long-term employee benefits for key management personnel.

Termination Benefits

Disclosure

141. Where there is uncertainty about the number of employees who will accept an offer of termination benefits, a contingent liability exists. As required by AASB 137 an entity discloses information about the contingent liability unless the possibility of an outflow in settlement is remote.

142. As required by AASB 101, an entity discloses the nature and amount of an expense if it is material. Termination benefits may result in an expense needing disclosure in order to comply with this requirement.

143. Where required by AASB 124 an entity discloses information about termination benefits for key management personnel.

AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance.* It is proposed that they be retained without amendment in the RDR.

Disclosure

39. The following matters shall be disclosed:

(a) the accounting policy adopted for government grants, including the methods of presentation adopted in the financial statements;

(b) the nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the entity has directly benefited; and

(c) unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

AASB 121 *The Effects of Changes in Foreign Exchange Rates*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 121 *The Effects of Changes in Foreign Exchange Rates*, showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

Disclosure

51. In paragraphs 53 and 55-57 references to 'functional currency' apply, in the case of a group, to the functional currency of the parent.

52. An entity shall disclose:

(a) the amount of exchange differences recognised in profit or loss except for those arising on financial instruments measured at fair value through profit or loss in accordance with AASB 139; and

(b) net exchange differences recognised in other comprehensive income and accumulated in a separate component of equity, and a reconciliation of the amount of such exchange differences at the beginning and end of the period.

53. When the presentation currency is different from the functional currency, that fact shall be stated, together with disclosure of the functional currency and the reason for using a different presentation currency.

54. When there is a change in the functional currency of either the reporting entity or a significant foreign operation, that fact and the reason for the change in functional currency shall be disclosed.

55. When an entity presents its financial statements in a currency that is different from its functional currency, it shall describe the financial statements as complying with Australian equivalents to IFRSs only if they comply with all the requirements of Australian equivalents to IFRSs including the translation method set out in paragraphs 39 and 42.

56. An entity sometimes presents its financial statements or other financial information in a currency that is not its functional currency without meeting the requirements of paragraph 55. For example, an entity may convert into another currency only selected items from its financial statements. Or, an entity whose functional currency is not the currency of a hyperinflationary economy may convert the financial statements into another currency by translating all items at the most recent closing rate. Such conversions are not in accordance with Australian equivalents to IFRSs and the disclosures set out in paragraph 57 are required.

57. When an entity displays its financial statements or other financial information in a currency that is different from either its functional currency or its presentation currency and the requirements of paragraph 55 are not met, it shall:

(a) clearly identify the information as supplementary information to distinguish it from the information that complies with Australian equivalents to IFRSs;

(b) disclose the currency in which the supplementary information is displayed; and

(c) disclose the entity's functional currency and the method of translation used to determine the supplementary information.

AASB 123 *Borrowing Cost:* Text of Proposed Disclosures

The following are the disclosure requirements of AASB 123 *Borrowing Costs*, showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

26 An entity shall disclose:

- **(a) the amount of borrowing costs capitalised during the period; and**
- **(b) the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation.**

Aus26.1 A not-for-profit public sector entity shall disclose the accounting policy adopted for borrowing costs.

AASB 124 *Related Party Disclosures*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 124 *Related Party Disclosures*, showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

Disclosure

All entities

13 Relationships between a parent and its subsidiaries shall be disclosed irrespective of whether there have been transactions between them. An entity shall disclose the name of its parent and, if different, the ultimate controlling party. If neither the entity's parent nor the ultimate controlling party produces consolidated financial statements available for public use, the name of the next most senior parent that does so shall also be disclosed.

Aus13.1 When any of the parent entities and/or ultimate controlling parties named in accordance with paragraph 13 is incorporated or otherwise constituted outside Australia, an entity shall:

(a) identify which of those entities is incorporated overseas and where; and

(b) disclose the name of the ultimate controlling entity incorporated within Australia.

14 To enable users of financial statements to form a view about the effects of related party relationships on an entity, it is appropriate to disclose the related party relationship when control exists, irrespective of whether there have been transactions between the related parties.

15 The requirement to disclose related party relationships between a parent and its subsidiaries is in addition to the disclosure requirements in IAS 27, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures.

16 Paragraph 13 refers to the next most senior parent. This is the first parent in the group above the immediate parent that produces consolidated financial statements available for public use.

17 An entity shall disclose key management personnel compensation in total and for each of the following categories:

(a) short-term employee benefits;

(b) post-employment benefits;

(c) other long-term benefits;

(d) termination benefits; and

(e) share-based payment.

18 If an entity has had related party transactions during the periods covered by the financial statements, it shall disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements. These disclosure requirements are in addition to those in paragraph 17. At a minimum, disclosures shall include:

(a) the amount of the transactions;

(b) the amount of outstanding balances, including commitments, and:

(i) their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and

(ii) details of any guarantees given or received;

(c) provisions for doubtful debts related to the amount of outstanding balances; and

(d) the expense recognised during the period in respect of bad or doubtful debts due from related parties.

19 The disclosures required by paragraph 18 shall be made separately for each of the following categories:

(a) the parent;

(b) entities with joint control or significant influence over the entity;

(c) subsidiaries;

(d) **associates;**

(e) **joint ventures in which the entity is a venturer;**

(f) **key management personnel of the entity or its parent; and**

(g) **other related parties.**

20 The classification of amounts payable to, and receivable from, related parties in the different categories as required in paragraph 19 is an extension of the disclosure requirement in IAS 1 *Presentation of Financial Statements* for information to be presented either in the statement of financial position or in the notes. The categories are extended to provide a more comprehensive analysis of related party balances and apply to related party transactions.

21 The following are examples of transactions that are disclosed if they are with a related party:

(a) purchases or sales of goods (finished or unfinished);

(b) purchases or sales of property and other assets;

(c) rendering or receiving of services;

(d) leases;

(e) transfers of research and development;

(f) transfers under licence agreements;

(g) transfers under finance arrangements (including loans and equity contributions in cash or in kind);

(h) provision of guarantees or collateral;

(i) commitments to do something if a particular event occurs or does not occur in the future, including executory contracts (recognised and unrecognised); and

(j) settlement of liabilities on behalf of the entity or by the entity on behalf of that related party.

22 Participation by a parent or subsidiary in a defined benefit plan that shares risks between group entities is a transaction between related parties (see paragraph 34B of IAS 19).

23 Disclosures that related party transactions were made on terms equivalent to those that prevail in arm's length transactions are made only if such terms can be substantiated.

24 Items of a similar nature may be disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the entity.

Government-related entities

25 A reporting entity is exempt from the disclosure requirements of paragraph 18 in relation to related party transactions and outstanding balances, including commitments, with:

(a) a government that has control, joint control or significant influence over the reporting entity; and

(b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

26 If a reporting entity applies the exemption in paragraph 25, it shall disclose the following about the transactions and related outstanding balances referred to in paragraph 25:

(a) the name of the government and the nature of its relationship with the reporting entity (ie control, joint control or significant influence);

(b) the following information in sufficient detail to enable users of the entity's financial statements to understand the effect of related party transactions on its financial statements:

(i) the nature and amount of each individually significant transaction; and

(ii) for other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent. Types of transactions include those listed in paragraph 21.

27 In using its judgement to determine the level of detail to be disclosed in accordance with the requirements in paragraph 26(b), the reporting entity shall consider the closeness of the related party relationship and other factors relevant in establishing the level of significance of the transaction such as whether it is:

(a) significant in terms of size;

(b) carried out on non-market terms;

(c) outside normal day-to-day business operations, such as the purchase and sale of businesses;

(d) disclosed to regulatory or supervisory authorities;

(e) reported to senior management;

(f) subject to shareholder approval.

Other Key Management Personnel Disclosures by Disclosing Entities

Aus29.1 Paragraphs Aus29.2 to Aus29.9.3 of this Standard apply to each disclosing entity (subject to parent entity relief) that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act. However, paragraphs Aus29.2 to Aus29.6 and Aus29.7.1 and Aus29.7.2 of this Standard do not apply to disclosing entities that are companies. The disclosures required of disclosing entities by paragraphs Aus29.2 to Aus29.9.3 are in addition to those required by paragraphs 1 to 28.

Aus29.2 The following details about each key management person shall be disclosed:

(a) the name of the person;

(b) the position held; and

(c) where the period of responsibility is less than the reporting period, the date or dates identifying the period of responsibility.

Aus29.3 If any of the following changes occur after the reporting period and prior to the date when the financial statements

are authorised for issue, the name, position and date for each person involved shall be disclosed for:

(a) each change in the chief executive officer and directors of the entity; and

(b) the retirement of any key management person (other than a director or chief executive officer).

Compensation

Aus29.4 For each key management person, the following components of the categories required by paragraph 17, shall be disclosed:

(a) short-term employee benefits. Amounts in this category shall be divided into at least the following components:

(i) cash salary, fees and short-term compensated absences;

(ii) short-term cash profit-sharing and other bonuses;

(iii) non-monetary benefits; and

(iv) other short-term employee benefits;

(b) post-employment benefits. Amounts in this category shall be divided into at least the following components:

(i) pension and superannuation benefits; and

(ii) other post-employment benefits;

(c) other long-term employee benefits, separately identifying amounts attributable to long-term incentive plans;

(d) termination benefits; and

(e) share-based payment. Amounts in this category shall be divided into at least the following components:

(i) equity-settled share-based payment transactions:

(A) shares and units;

(B) options and rights;

(ii) cash-settled share-based payment transactions; and

(iii) all other forms of share-based payment compensation (including hybrids).

Principles of Compensation

Aus29.5 The following details concerning the compensation of each key management person shall be disclosed:

(a) discussion of board policy for determining the nature and amount of compensation of key management personnel of the entity;

(b) discussion of the relationship between such policy and the entity's performance;

(c) if an element of the compensation of a key management person is dependent on the satisfaction of a performance condition:

(i) a detailed summary of the performance condition;

(ii) an explanation of why the performance condition was chosen;

(iii) a summary of the methods used in assessing whether the performance condition is satisfied and an explanation of why those methods were chosen; and

(iv) if the performance condition involves a comparison with factors external to the entity:

(A) a summary of the factors to be used in making the comparison; and

(B) if any of the factors relates to the performance of another entity, of two or more other entities or an index in which the securities of an entity or entities are included – the identity of that entity, of each of those entities or of the index;

(d) for each grant of a cash bonus, performance-related bonus or share-based payment compensation benefit, whether part of a specific contract for services or not, the terms and conditions of each grant affecting compensation in this or future reporting periods, including:

(i) the grant date;

(ii) the nature of the compensation granted;

(iii) the service and performance criteria used to determine the amount of compensation; and

(iv) if there has been any alteration of the terms or conditions of the grant since the grant date, the date, details and effect of each alteration;

(e) for each contract for services between the key management person and the disclosing entity (or any of its subsidiaries), such further explanations as are necessary in addition to those prescribed in subparagraphs (c) and (d) to provide an understanding of how the amount of compensation in the current reporting period was determined and how the terms of the contract affect compensation in future periods;

(f) if an element of the compensation consists of securities of a body and that element is not dependent on the satisfaction of a performance condition – an explanation of why that element of the compensation is not dependent on the satisfaction of a performance condition;

(g) an explanation of the relative proportions of those elements of the person’s compensation that are related to performance and those elements of the person’s compensation that are not; and

(h) if the person is employed by the entity under a contract – the duration of the contract, the periods of notice required to terminate the contract and the termination payments provided for under the contract.

Modification of Terms of Share-based Payment Transactions

Aus29.6 **Where the terms of share-based payment transactions (including options or rights) granted as compensation to a key management person have been altered or modified by the issuing entity during the reporting period, the following details shall be disclosed for each such person:**

(a) **the date of each alteration of the terms;**

(b) **the market price of the underlying equity instrument at the date of alteration;**

(c) **the terms of the grant immediately prior to alteration, including the number and class of the underlying equity instruments, exercise price, time remaining until expiry and each other condition in the terms affecting the vesting or exercise of the option or other right;**

(d) **the new terms; and**

(e) **the difference between the total of the fair value of the options or other rights affected by the alteration immediately before the alteration and the total of the fair value of those options or other rights immediately after the alteration.**

Equity Instruments

Different Classes to be Separately Identified

Aus29.7 **All disclosures required by paragraphs Aus29.7.1 to Aus29.7.5 refer to equity instruments issued or issuable by the disclosing entity and any of its subsidiaries and**

shall be separated into each class of equity instrument identifying each class by:

(a) the name of the issuing entity;

(b) the class of equity instrument; and

(c) if the instrument is an option or right, the class and number of equity instruments for which it may be exercised.

Options and Rights Provided as Compensation

Aus29.7.1 The following details of options and rights over equity instruments provided as compensation to each key management person shall be disclosed:

(a) the number of options and the number of rights that, during the reporting period, have:

(i) been granted; and

(ii) vested;

(b) particulars of the terms and conditions of each grant made during the reporting period, including:

(i) the fair value per option or right at grant date;

(ii) the exercise price per share or unit;

(iii) the amount, if any, paid or payable by the recipient;

(iv) the expiry date;

(v) the date or dates when the options or rights may be exercised; and

(vi) a summary of the service and performance criteria that must be met before the beneficial interest vests in the person.

Equity Instruments Provided on Exercise of Options and Rights Granted as Compensation

Aus29.7.2 The following details of the equity instruments provided as a result of the exercise during the reporting period of options and rights granted as compensation to each key management person shall be disclosed:

(a) the number of equity instruments;

(b) when the number of options or rights exercised differs from the number of equity instruments disclosed under (a), the number of options or rights exercised;

(c) the amount paid per instrument; and

(d) the amount unpaid per instrument.

Options and Rights Holdings

Aus29.7.3 In respect of options and rights held, whether directly, indirectly or beneficially, by each key management person, a close member of the family of that person, or an entity over which either of these persons have, directly or indirectly, control, joint control or significant influence, disclosure shall be made of the number:

(a) held at the start of the reporting period;

(b) granted during the reporting period as compensation;

(c) exercised during the reporting period;

(d) resulting from any other change during the reporting period;

(e) held at the end of the reporting period;

(f) vested at the end of the reporting period;

(g) vested and exercisable at the end of the reporting period; and

(h) vested and unexercisable at the end of the reporting period.

Equity Holdings and Transactions

Aus29.7.4 **In respect of equity instruments (other than options and rights) held directly, indirectly or beneficially by each key management person, a close member of the family of that person, or an entity over which either of these persons have, directly or indirectly, control, joint control or significant influence, disclosure shall be made of the number:**

(a) held at the start of the reporting period;

(b) granted during the reporting period as compensation;

(c) received during the reporting period on exercise of options or rights;

(d) resulting from any other change during the reporting period;

(e) held at the end of the reporting period; and

(f) if any such are included in the number disclosed under subparagraph

(e) above, held nominally at the end of the reporting period.

Aus29.7.5 **If transactions involving equity instruments, other than share-based payment compensation, have occurred between a key management person, a close member of the family of that person, or an entity over which either of these persons have, directly or indirectly, control, joint control or significant influence and the issuing entity during the reporting period, the nature of each different type of transaction shall be disclosed where the terms or conditions were more favourable than those which it is reasonable to expect the entity would have adopted if dealing at arm's length with an unrelated person. For each such transaction, the details of the terms and conditions shall be disclosed.**

Loans

Aus29.8 **The details required by paragraph Aus29.8.1 shall be disclosed separately in respect of each aggregate of loans made, guaranteed or secured, directly or indirectly, by the disclosing entity and any of its subsidiaries to:**

(a) **all key management personnel, close members of the family of those personnel, or entities over which any of these persons have, directly or indirectly, control, joint control or significant influence; and**

(b) **each key management person, a close member of the family of that person, or an entity over which either of these persons have, directly or indirectly, control, joint control or significant influence, by name whose aggregate loan amount exceeded $100,000 at any time during the reporting period.**

Aus29.8.1 **In respect of each aggregate of loans to key management personnel and to each key management person as required by paragraph Aus29.8, the following details shall be disclosed:**

(a) **the amount outstanding at the start of the reporting period;**

(b) **the amount of interest paid and payable in respect of the reporting period to the disclosing entity and any of its subsidiaries;**

(c) **the difference between the amount disclosed in accordance with subparagraph (b) above and the amount of interest that would have been charged on an arm's-length basis;**

(d) **each write-down and each allowance for doubtful receivables recognised by the disclosing entity and any of its subsidiaries;**

(e) **the amount outstanding at the end of the reporting period;**

(f) **for each key management person only, the highest amount of indebtedness during the reporting period;**

(g) **for key management personnel only, the number of persons included in the group aggregate at the end of the reporting period; and**

(h) **a summary of the terms and conditions of the loans.**

Aus29.8.2 **For the purposes of paragraphs Aus29.8 and Aus29.8.1 loans do not include loans involved in transactions that are in substance options, including non-recourse loans.**

Other Transactions and Balances

Aus29.9 **In respect of transactions during the reporting period between the disclosing entity and any of its subsidiaries and key management personnel, a close member of the family of those personnel, or an entity over which any of these persons have, directly or indirectly, control, joint control or significant influence, other than transactions covered by paragraphs Aus29.4 to Aus29.8.1 or excluded by paragraph Aus29.9.3, the following details shall be disclosed:**

(a) **each type of transaction of different nature;**

(b) **the terms and conditions of each type of transaction or, where there are different categories of terms and conditions within each type, the terms and conditions of each category of transaction; and**

(c) **for each type of transaction or, where there are different categories within each type, each category of transaction:**

(i) **the names of the persons involved; and**

(ii) **the aggregate amount recognised.**

Aus29.9.1 **In respect of each aggregate amount disclosed in accordance with paragraph Aus29.9, the following details shall be disclosed:**

(a) the total of amounts recognised as revenue, separately identifying where applicable the total amounts recognised as:

(i) interest revenue; and

(ii) dividend revenue;

(b) the total of amounts recognised as expense, separately identifying where applicable the total amounts recognised as:

(i) interest expense; and

(ii) write-downs of receivables and allowances made for doubtful receivables; and

(c) any further disclosures necessary to provide an understanding of the effects of the transactions on the financial statements

Aus29.9.2 In respect of assets and liabilities at the end of the reporting period recognised in relation to transactions identified in accordance with paragraph Aus29.9, disclosure shall be made of:

(a) the total of all assets, classified into current and non-current assets and, where applicable, any allowance for doubtful receivables at the end of the reporting period; and

(b) the total of all liabilities, classified into current and non-current liabilities.

Aus29.9.3 Transactions with and amounts receivable from or payable to a key management person, a close member of the family of that person, or an entity over which either of these persons have, directly or indirectly, control, joint control or significant influence, are excluded from the requirements of paragraphs Aus29.9 to Aus29.9.2 when:

(a) they occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those that it is reasonable to expect the entity would have

adopted if dealing at arm's length with an unrelated person;

(b) information about them does not have the potential to affect adversely decisions about the allocation of scarce resources made by users of the financial statements, or the discharge of accountability by the key management person; and

(c) they are trivial or domestic in nature.

AASB 127 *Consolidated and Separate Financial Statements*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 127 *Consolidated and Separate Financial Statements*, showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

Disclosure

41 **The following disclosures shall be made in consolidated financial statements:**

- **(a)** **the nature of the relationship between the parent and a subsidiary when the parent does not own, directly or indirectly through subsidiaries, more than half of the voting power;**
- **(b)** **the reasons why the ownership, directly or indirectly through subsidiaries, of more than half of the voting or potential voting power of an investee does not constitute control;**
- **(c)** **the end of the reporting period of the financial statements of a subsidiary when such financial statements are used to prepare consolidated financial statements and are as of a date or for a period that is different from that of the parent's financial statements, and the reason for using a different date or period;**
- **(d)** **the nature and extent of any significant restrictions (eg resulting from borrowing arrangements or regulatory requirements) on the ability of subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans or advances;**
- **(e)** **a schedule that shows the effects of any changes in a parent's ownership interest in a subsidiary that do not result in a loss of control on the equity attributable to owners of the parent; and**
- **(f)** **if control of a subsidiary is lost, the parent shall disclose the gain or loss, if any, recognised in accordance with paragraph 34, and:**

(i) the portion of that gain or loss attributable to recognising any investment retained in the former subsidiary at its fair value at the date when control is lost; and

(ii) the line item(s) in the statement of comprehensive income in which the gain or loss is recognised (if not presented separately in the statement of comprehensive income).

42 When separate financial statements are prepared for a parent that, in accordance with paragraph 10, elects not to prepare consolidated financial statements, those separate financial statements shall disclose:

(a) the fact that the financial statements are separate financial statements; that the exemption from consolidation has been used; the name and country of incorporation or residence of the entity whose consolidated financial statements that comply with International Financial Reporting Standards have been produced for public use; and the address where those consolidated financial statements are obtainable;

(b) a list of significant investments in subsidiaries, jointly controlled entities and associates, including the name, country of incorporation or residence, proportion of ownership interest and, if different, proportion of voting power held; and

(c) a description of the method used to account for the investments listed under (b).

43 When a parent (other than a parent covered by paragraph 42), venturer with an interest in a jointly controlled entity or an investor in an associate prepares separate financial statements, those separate financial statements shall disclose:

(a) the fact that the statements are separate financial statements and the reasons why those statements are prepared if not required by law;

(b) a list of significant investments in subsidiaries, jointly controlled entities and associates, including the name, country of incorporation or residence, proportion of

ownership interest and, if different, proportion of voting power held; and

(c) a description of the method used to account for the investments listed under (b);

and shall identify the financial statements prepared in accordance with paragraph 9 of this Standard or AASB 128 and AASB 131 to which they relate.

Aus43.1 In respect of not-for-profit public sector entities, where a group of entities is a reporting entity, but separate financial statements for the parent are not prepared, the notes to the consolidated financial statements shall disclose a list of significant subsidiaries, including:

(a) the name;

(b) country of incorporation or residence (where other than Australia); and

(c) proportion of ownership interest and, if different, proportion of voting power held.

AASB 128 *Investments in Associates*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 128 *Investments in Associates*, showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

Disclosure

37 The following disclosures shall be made:

(a) the fair value of investments in associates for which there are published price quotations;

(b) summarised financial information of associates, including the aggregated amounts of assets, liabilities, revenues and profit or loss;

(c) the reasons why the presumption that an investor does not have significant influence is overcome if the investor holds, directly or indirectly through subsidiaries, less than 20% of the voting or potential voting power of the investee but concludes that it has significant influence;

(d) the reasons why the presumption that an investor has significant influence is overcome if the investor holds, directly or indirectly through subsidiaries, 20% or more of the voting or potential voting power of the investee but concludes that it does not have significant influence;

(e) the end of the reporting period of the financial statements of an associate, when such financial statements are used in applying the equity method and are as of a date or for a period that is different from that of the investor, and the reason for using a different date or different period;

(f) the nature and extent of any significant restrictions (e.g. resulting from borrowing arrangements or regulatory requirements) on the ability of associates to transfer

funds to the investor in the form of cash dividends, or repayment of loans or advances;

(g) the unrecognised share of losses of an associate, both for the period and cumulatively, if an investor has discontinued recognition of its share of losses of an associate;

(h) the fact that an associate is not accounted for using the equity method in accordance with paragraph 13; and

(i) summarised financial information of associates, either individually or in groups, that are not accounted for using the equity method, including the amounts of total assets, total liabilities, revenues and profit or loss .

38 Investments in associates accounted for using the equity method shall be classified as non-current assets. The investor's share of the profit or loss of such associates, and the carrying amount of those investments, shall be separately disclosed. The investor's share of any discontinued operations of such associates shall also be separately disclosed.

39 The investor's share of changes recognised in other comprehensive income by the associate shall be recognised by the investor in other comprehensive income.

40 In accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets, the investor shall disclose:

(a) its share of the contingent liabilities of an associate incurred jointly with other investors; and

(b) those contingent liabilities that arise because the investor is severally liable for all or part of the liabilities of the associate.

AASB 131 *Interests in Joint Ventures*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 131 *Interests in Joint Ventures*, showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

Disclosure

Interests in Joint Ventures

54 A venturer shall disclose the aggregate amount of the following contingent liabilities, unless the probability of loss is remote, separately from the amount of other contingent liabilities:

(a) any contingent liabilities that the venturer has incurred in relation to its interests in joint ventures and its share in each of the contingent liabilities that have been incurred jointly with other venturers;

(b) its share of the contingent liabilities of the joint ventures themselves for which it is contingently liable; and

(c) those contingent liabilities that arise because the venturer is contingently liable for the liabilities of the other venturers of a joint venture.

55 A venturer shall disclose the aggregate amount of the following commitments in respect of its interests in joint ventures separately from other commitments:

(a) any capital commitments of the venturer in relation to its interests in joint ventures and its share in the capital commitments that have been incurred jointly with other venturers; and

(b) its share of the capital commitments of the joint ventures themselves.

56 A venturer shall disclose a listing and description of interests in significant joint ventures and the proportion of ownership interest held in jointly controlled entities. A venturer that recognises its interests in jointly controlled entities using the

line-by-line reporting format for proportionate consolidation or the equity method shall disclose the aggregate amounts of each of current assets, long-term assets, current liabilities, long-term liabilities, income and expenses related to its interests in joint ventures.]

57 **A venturer shall disclose the method it uses to recognise its interests in jointly controlled entities.**

AASB 133 *Earnings Per Share*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 133 *Earnings Per Share*, showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

Disclosure

64 **If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalisation, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented shall be adjusted retrospectively. If these changes occur after the end of the reporting period but before the financial statements are authorised for issue, the per share calculations for those and any prior period financial statements presented shall be based on the new number of shares. The fact that per share calculations reflect such changes in the number of shares shall be disclosed. In addition, basic and diluted earnings per share of all periods presented shall be adjusted for the effects of errors and adjustments resulting from changes in accounting policies, accounted for retrospectively.**

68 **An entity that reports a discontinued operation shall disclose the basic and diluted amounts per share for the discontinued operation either in the statement of comprehensive income or in the notes**.

70 **An entity shall disclose the following:**

(a) **the amounts used as the numerators in calculating basic and diluted earnings per share, and a reconciliation of those amounts to profit or loss attributable to the parent entity for the period. The reconciliation shall include the individual effect of each class of instruments that affects earnings per share;**

(b) **the weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share, and a reconciliation of these denominators to each other. The reconciliation shall**

include the individual effect of each class of instruments that affects earnings per share;

(c) **instruments (including contingently issuable shares) that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are antidilutive for the period(s) presented; and**

(d) **a description of ordinary share transactions or potential ordinary share transactions, other than those accounted for in accordance with paragraph 64, that occur after the end of the reporting period and that would have changed significantly the number of ordinary shares or potential ordinary shares outstanding at the end of the period if those transactions had occurred before the end of the reporting period.**

71 Examples of transactions in paragraph 70(d) include:

(a) an issue of shares for cash;

(b) an issue of shares when the proceeds are used to repay debt or preference shares outstanding at the end of the reporting period;

(c) the redemption of ordinary shares outstanding;

(d) the conversion or exercise of potential ordinary shares outstanding at the end of the reporting period into ordinary shares;

(e) an issue of options, warrants, or convertible instruments; and

(f) the achievement of conditions that would result in the issue of contingently issuable shares.

Earnings per share amounts are not adjusted for such transactions occurring after the end of the reporting period because such transactions do not affect the amount of capital used to produce profit or loss for the period.

72 Financial instruments and other contracts generating potential ordinary shares may incorporate terms and conditions that affect the measurement of basic and diluted earnings per share. These terms

and conditions may determine whether any potential ordinary shares are dilutive and, if so, the effect on the weighted average number of shares outstanding and any consequent adjustments to profit or loss attributable to ordinary equity holders. The disclosure of the terms and conditions of such financial instruments and other contracts is encouraged, if not otherwise required (see AASB 7 *Financial Instruments: Disclosures*).

73 **If an entity discloses, in addition to basic and diluted earnings per share, amounts per share using a reported component of the statement of comprehensive income other than one required by this Standard, such amounts shall be calculated using the weighted average number of ordinary shares determined in accordance with this Standard. Basic and diluted amounts per share relating to such a component shall be disclosed with equal prominence and presented in the notes. An entity shall indicate the basis on which the numerator(s) is (are) determined, including whether amounts per share are before tax or after tax. If a component of the statement of comprehensive income is used that is not reported as a line item in the statement of comprehensive income, a reconciliation shall be provided between the component used and a line item that is reported in the statement of comprehensive income.**

73A Paragraph 73 applies also to an entity that discloses, in addition to basic and diluted earnings per share, amounts per share using a reported component of the separate income statement (as described in paragraph 81 of AASB 101 (as revised in 2007)), other than one required by this Standard.

AASB 136 *Impairment of Assets*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 136 *Impairment of Assets*, showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

Disclosure

126. An entity shall disclose the following for each class of assets:

(a) the amount of impairment losses recognised in profit or loss during the period and the line item(s) of the income statement in which those impairment losses are included;

(b) the amount of reversals of impairment losses recognised in profit or loss during the period and the line item(s) of the income statement in which those impairment losses are reversed;

(c) the amount of impairment losses on revalued assets recognised in other comprehensive income during the period; and

(d) the amount of reversals of impairment losses on revalued assets recognised in other comprehensive income during the period.

127. A class of assets is a grouping of assets of similar nature and use in an entity's operations.

128. The information required in paragraph 126 may be presented with other information disclosed for the class of assets. For example, this information may be included in a reconciliation of the carrying amount of property, plant and equipment, at the beginning and end of the period, as required by AASB 116.

129. An entity that reports segment information in accordance with AASB 8 shall disclose the following for each reportable segment:

(a) the amount of impairment losses recognised in profit or loss and in other comprehensive income during the period; and

(b) the amount of reversals of impairment losses recognised in profit or loss and in other comprehensive income during the period.

130. An entity shall disclose the following for each material impairment loss recognised or reversed during the period for an individual asset, including goodwill, or a cash-generating unit:

(a) the events and circumstances that led to the recognition or reversal of the impairment loss;

(b) the amount of the impairment loss recognised or reversed; and

(c) for an individual asset:

(i) the nature of the asset; and

(ii) if the entity reports segment information in accordance with AASB 8, the reportable segment to which the asset belongs;

(d) for a cash generating unit:

(i) a description of the cash generating unit (such as whether it is a product line, a plant, a business operation, a geographical area, or a reportable segment as defined in AASB 8);

(ii) the amount of the impairment loss recognised or reversed by class of assets and, if the entity reports segment information in accordance with AASB 8, by reportable segment; and

(iii) if the aggregation of assets for identifying the cash-generating unit has changed since the previous estimate of the cash-generating unit's recoverable amount (if any), a description of the current and former way of aggregating assets and the reasons for changing the way the cash-generating unit is identified; and

(e) whether the recoverable amount of the asset (cash-generating unit) is its fair value less costs to sell or its value in use;

(f) **if recoverable amount is fair value less costs to sell, the basis used to determine fair value less costs to sell (such as whether fair value was determined by reference to an active market); and**

(g) **if recoverable amount is value in use, the discount rate(s) used in the current estimate** and previous estimate (if any) of value in use.

131. An entity shall disclose the following information for the aggregate impairment losses and the aggregate reversals of impairment losses recognised during the period for which no information is disclosed in accordance with paragraph 130:

(a) **the main classes of assets affected by impairment losses and the main classes of assets affected by reversals of impairment losses; and**

(b) **the main events and circumstances that led to the recognition of these impairment losses and reversals of impairment losses.**

132. An entity is encouraged to disclose assumptions used to determine the recoverable amount of assets (cash-generating units) during the period. However, paragraph 134 requires an entity to disclose information about the estimates used to measure the recoverable amount of a cash-generating unit when goodwill or an intangible asset with an indefinite useful life is included in the carrying amount of that unit.

133. If, in accordance with paragraph 84, any portion of the goodwill acquired in a business combination during the period has not been allocated to a cash-generating unit (group of units) at the reporting date, the amount of the unallocated goodwill shall be disclosed together with the reasons why that amount remains unallocated.

Estimates used to Measure Recoverable Amounts of Cash – generating Units Containing Goodwill or Intangible Assets with Indefinite Useful Lives

134. An entity shall disclose the information required by (a)-(f) for each cash-generating unit (group of units) for which the carrying amount of goodwill or intangible assets with indefinite

useful lives allocated to that unit (group of units) is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives:

- **(a) the carrying amount of goodwill allocated to the unit (group of units);**
- **(b) the carrying amount of intangible assets with indefinite useful lives allocated to the unit (group of units);**
- **(c) the basis on which the unit's (group of units') recoverable amount has been determined (i.e. value in use or fair value less costs to sell);**
- **(d) if the unit's (group of units') recoverable amount is based on value in use:**
  - **(i) a description of each key assumption on which management has based its cash flow projections for the period covered by the most recent budgets/forecasts. Key assumptions are those to which the unit's (group of units') recoverable amount is most sensitive;**
  - **(ii) a description of management's approach to determining the value(s) assigned to each key assumption, whether those value(s) reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information;**
  - **(iii) the period over which management has projected cash flows based on financial budgets/forecasts approved by management and, when a period greater than five years is used for a cash-generating unit (group of units), an explanation of why that longer period is justified;**
  - **(iv) the growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts, and the justification for using any growth rate that**

exceeds the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market to which the unit (group of units) is dedicated; and

(v) the discount rate(s) applied to the cash flow projections;

(e) if the unit's (group of units') recoverable amount is based on fair value less costs to sell, the methodology used to determine fair value less costs to sell. If fair value less costs to sell is not determined using an observable market price for the unit (group of units), the following information shall also be disclosed:

(i) a description of each key assumption on which management has based its determination of fair value less costs to sell. Key assumptions are those to which the unit's (group of units') recoverable amount is most sensitive.

(ii) a description of management's approach to determining the value (or values) assigned to each key assumption, whether those values reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information.

If fair value less costs to sell is determined using discounted cash flow projections, the following information shall also be disclosed:

(iii) the period over which management has projected cash flows;

(iv) the growth rate used to extrapolate cash flow projections;

(v) the discount rate(s) applied to the cash flow projections;

(f) if a reasonably possible change in a key assumption on which management has based its determination of the

unit's (group of units') recoverable amount would cause the unit's (group of units') carrying amount to exceed its recoverable amount:

- **(i) the amount by which the unit's (group of units') recoverable amount exceeds its carrying amount;**
- **(ii) the value assigned to the key assumption; and**
- **(iii) the amount by which the value assigned to the key assumption must change, after incorporating any consequential effects of that change on the other variables used to measure recoverable amount, in order for the unit's (group of units') recoverable amount to be equal to its carrying amount.**

135. If some or all of the carrying amount of goodwill or intangible assets with indefinite useful lives is allocated across multiple cash-generating units (groups of units), and the amount so allocated to each unit (group of units) is not significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives, that fact shall be disclosed, together with the aggregate carrying amount of goodwill or intangible assets with indefinite useful lives allocated to those units (groups of units). In addition, if the recoverable amounts of any of those units (groups of units) are based on the same key assumption(s) and the aggregate carrying amount of goodwill or intangible assets with indefinite useful lives allocated to them is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives, an entity shall disclose that fact, together with:

- **(a) the aggregate carrying amount of goodwill allocated to those units (groups of units);**
- **(b) the aggregate carrying amount of intangible assets with indefinite useful lives allocated to those units (groups of units);**
- **(c) a description of the key assumption(s);**

(d) a description of management's approach to determining the value(s) assigned to the key assumption(s), whether those value(s) reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information;

(e) if a reasonably possible change in the key assumption(s) would cause the aggregate of the units' (groups of units') carrying amounts to exceed the aggregate of their recoverable amounts:

(i) the amount by which the aggregate of the units' (groups of units') recoverable amounts exceeds the aggregate of their carrying amounts;

(ii) the value(s) assigned to the key assumption(s); and

(iii) the amount by which the value(s) assigned to the key assumption(s) must change, after incorporating any consequential effects of the change on the other variables used to measure recoverable amount, in order for the aggregate of the units' (groups of units') recoverable amounts to be equal to the aggregate of their carrying amounts.

136. The most recent detailed calculation made in a preceding period of the recoverable amount of a cash-generating unit (group of units) may, in accordance with paragraph 24 or 99, be carried forward and used in the impairment test for that unit (group of units) in the current period provided specified criteria are met. When this is the case, the information for that unit (group of units) that is incorporated into the disclosures required by paragraphs 134 and 135 relate to the carried forward calculation of recoverable amount.

137. Illustrative Example 9 illustrates the disclosures required by paragraphs 134 and 135.

AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets,* showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

Disclosure

84. For each class of provision, an entity shall disclose:

(a) the carrying amount at the beginning and end of the period;

(b) additional provisions made in the period, including increases to existing provisions;

(c) amounts used (that is, incurred and charged against the provision) during the period;

(d) unused amounts reversed during the period; and

(e) the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate.

RDR84.1 Entities applying the Reduced Disclosure Regime (RDR) should disclose additional provisions made in the period, including increases to existing provisions and adjustments that result from changes in measuring the discounted amount. Entities applying the RDR need not provide comparative information.

85. An entity shall disclose the following for each class of provision:

(a) a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits;

(b) an indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph 48; and

(c) **the amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.**

86. Unless the possibility of any outflow in settlement is remote, an entity shall disclose for each class of contingent liability at the reporting date a brief description of the nature of the contingent liability and, where practicable:

(a) an estimate of its financial effect, measured under paragraphs 36-52;

(b) an indication of the uncertainties relating to the amount or timing of any outflow; and

(c) the possibility of any reimbursement.

87. In determining which provisions or contingent liabilities may be aggregated to form a class, it is necessary to consider whether the nature of the items is sufficiently similar for a single statement about them to fulfil the requirements of paragraphs 85(a) and (b) and 86(a) and (b). Thus, it may be appropriate to treat as a single class of provision amounts relating to warranties of different products, but it would not be appropriate to treat as a single class amounts relating to normal warranties and amounts that are subject to legal proceedings.

88. Where a provision and a contingent liability arise from the same set of circumstances, an entity makes the disclosures required by paragraphs 84-86 in a way that shows the link between the provision and the contingent liability.

89. Where an inflow of economic benefits is probable, an entity shall disclose a brief description of the nature of the contingent assets at the reporting date, and, where practicable, an estimate of their financial effect, measured using the principles set out for provisions in paragraphs 36-52.

90. It is important that disclosures for contingent assets avoid giving misleading indications of the likelihood of income arising.

91. Where any of the information required by paragraphs 86 and 89 is not disclosed because it is not practicable to do so, that fact shall be stated.

92. In extremely rare cases, disclosure of some or all of the information required by paragraphs 84-89 can be expected to prejudice seriously the position of the entity in a dispute with other parties on the subject matter of the provision, contingent liability or contingent asset. In such cases, an entity need not disclose the information, but shall disclose the general nature of the dispute, together with the fact that, and reason why, the information has not been disclosed.

AASB 138 *Intangible Assets*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 138 *Intangible Assets*, showing those requirements from which entities applying the RDR should be exempt as shaded text.

General

118. **An entity shall disclose the following for each class of intangible assets, distinguishing between internally generated intangible assets and other intangible assets:**

- **(a)** **whether the useful lives are indefinite or finite and, if finite, the useful lives or the amortisation rates used;**
- **(b)** **the amortisation methods used for intangible assets with finite useful lives;**
- **(c)** **the gross carrying amount and any accumulated amortisation (aggregated with accumulated impairment losses) at the beginning and end of the period;**
- **(d)** **the line item(s) of the statement of comprehensive income in which any amortisation of intangible assets is included;**
- **(e)** **a reconciliation of the carrying amount at the beginning and end of the period showing:**
  - **(i)** **additions, indicating separately those from internal development, those acquired separately, and those acquired through business combinations;**
  - **(ii)** **assets classified as held for sale or included in a disposal group classified as held for sale in accordance with AASB 5 and other disposals;**
  - **(iii)** **increases or decreases during the period resulting from revaluations under paragraphs 75, 85 and 86 and from impairment losses recognised or reversed in other comprehensive income in accordance with AASB 136 (if any);**

(iv) **impairment losses recognised in profit or loss during the period in accordance with AASB 136 (if any);**

(v) **impairment losses reversed in profit or loss during the period in accordance with AASB 136 (if any);**

(vi) **any amortisation recognised during the period;**

(vii) **net exchange differences arising on the translation of the financial statements into the presentation currency, and on the translation of a foreign operation into the presentation currency of the entity; and**

(viii) **other changes in the carrying amount during the period.**

RDR118.1 Entities applying the Reduced Disclosure Regime need not present the reconciliation in paragraph 73(e) for prior periods.

119. A class of intangible assets is a grouping of assets of a similar nature and use in an entity's operations. Examples of separate classes may include:

(a) brand names;

(b) mastheads and publishing titles;

(c) computer software;

(d) licences and franchises;

(e) copyrights, patents and other industrial property rights, service and operating rights;

(f) recipes, formulae, models, designs and prototypes; and

(g) intangible assets under development.

The classes mentioned above are disaggregated (aggregated) into smaller (larger) classes if this results in more relevant information for the users of the financial statements.

120. An entity discloses information on impaired intangible assets in accordance with AASB 136 in addition to the information required by paragraph 118(e)(iii)-(v).

121. AASB 108 requires an entity to disclose the nature and amount of a change in an accounting estimate that has a material effect in the current period or is expected to have a material effect in subsequent periods. Such disclosure may arise from changes in:

(a) the assessment of an intangible asset's useful life;

(b) the amortisation method; or

(c) residual values.

122. An entity shall also disclose:

(a) for an intangible asset assessed as having an indefinite useful life, the carrying amount of that asset and the reasons supporting the assessment of an indefinite useful life. In giving these reasons, the entity shall describe the factor(s) that played a significant role in determining that the asset has an indefinite useful life;

(b) a description, the carrying amount and remaining amortisation period of any individual intangible asset that is material to the entity's financial statements;

(c) for intangible assets acquired by way of a government grant and initially recognised at fair value (see paragraph 44):

(i) the fair value initially recognised for these assets;

(ii) their carrying amount; and

(iii) whether they are measured after recognition under the cost model or the revaluation model;

(d) the existence and carrying amounts of intangible assets whose title is restricted and the carrying amounts of intangible assets pledged as security for liabilities; and

(e) the amount of contractual commitments for the acquisition of intangible assets.

123. When an entity describes the factor(s) that played a significant role in determining that the useful life of an intangible asset is indefinite, the entity considers the list of factors in paragraph 90.

Intangible Assets Measured after Recognition using the Revaluation Model

124. If intangible assets are accounted for at revalued amounts, an entity shall disclose the following:

(a) by class of intangible assets:

(i) the effective date of the revaluation;

(ii) the carrying amount of revalued intangible assets; and

(iii) the carrying amount that would have been recognised had the revalued class of intangible assets been measured after recognition using the cost model in paragraph 74;

(b) the amount of the revaluation surplus that relates to intangible assets at the beginning and end of the period, indicating the changes during the period and any restrictions on the distribution of the balance to shareholders; and

(c) the methods and significant assumptions applied in estimating the assets' fair values.

Aus124.1 Notwithstanding paragraph 124(a) (iii), in respect of not-for-profit entities, for each revalued class of intangible assets, the requirement to disclose the carrying amount that would have been recognised had the assets been carried under the cost model does not apply.

125. It may be necessary to aggregate the classes of revalued assets into larger classes for disclosure purposes. However, classes are not aggregated if this would result in the combination of a class of intangible assets that includes amounts measured under both the cost and revaluation models.

Research and Development Expenditure

126. An entity shall disclose the aggregate amount of research and development expenditure recognised as an expense during the period.

127. Research and development expenditure comprises all expenditure that is directly attributable to research or development activities (see paragraphs 66 and 67 for guidance on the type of expenditure to be included for the purpose of the disclosure requirement in paragraph 126).

Other Information

128. An entity is encouraged, but not required, to disclose the following information:

(a) a description of any fully amortised intangible asset that is still in use; and

(b) a brief description of significant intangible assets controlled by the entity but not recognised as assets because they did not meet the recognition criteria in this Standard.

AASB 140 *Investment Property*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 140 *Investment Property*, showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

Disclosure

Fair Value Model and Cost Model

74 The disclosures below apply in addition to those in AASB 117. In accordance with AASB 117, the owner of an investment property provides lessors' disclosures about leases into which it has entered. An entity that holds an investment property under a finance or operating lease provides lessees' disclosures for finance leases and lessors' disclosures for any operating leases into which it has entered.

75 An entity shall disclose:

(a) whether it applies the fair value or the cost model;

(b) if it applies the fair value model, whether, and in what circumstances, property interests held under operating leases are classified and accounted for as investment property;

(c) when classification is difficult (see paragraph 14), the criteria it uses to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business;

(d) the methods and significant assumptions applied in determining the fair value of investment property, including a statement whether the determination of fair value was supported by market evidence or was more heavily based on other factors (which the entity shall disclose) because of the nature of the property and lack of comparable market data.

(e) the extent to which the fair value of investment property (as measured or disclosed in the financial statements) is based on a valuation by an independent

valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. If there has been no such valuation, that fact shall be disclosed;

(f) the amounts recognised in profit or loss for:

(i) rental income from investment property;

(ii) direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period;

(iii) direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income during the period; and

(iv) the cumulative change in fair value recognised in profit or loss on a sale of investment property from a pool of assets in which the cost model is used into a pool in which the fair value model is used (see paragraph 32C);

(g) the existence and amounts of restrictions on the realisability of investment property or the remittance of income and proceeds of disposal; and

(h) contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Fair Value Model

76 In addition to the disclosures required by paragraph 75, an entity that applies the fair value model in paragraphs 33-55 shall disclose a reconciliation between the carrying amounts of investment property at the beginning and end of the period, showing the following:

(a) additions, disclosing separately those additions resulting from acquisitions and those resulting from subsequent

expenditure recognised in the carrying amount of an asset;

(b) additions resulting from acquisitions through business combinations;

(c) assets classified as held for sale or included in a disposal group in accordance with AASB 5 and other disposals;

(d) net gains or losses from fair value adjustments;

(e) the net exchange differences arising on the translation of the financial statements into a different presentation currency, and on translation of a foreign operation into the presentation currency of the reporting entity;

(f) transfers to and from inventories and owner-occupied property; and

(g) other changes.

RDR76.1 Entities applying the Reduced Disclosure Regime need not present the reconciliation in paragraph 76 for prior periods.

77 When a valuation obtained for investment property is adjusted significantly for the purpose of the financial statements, for example to avoid double-counting of assets or liabilities that are recognised as separate assets and liabilities as described in paragraph 50, the entity shall disclose a reconciliation between the valuation obtained and the adjusted valuation included in the financial statements, showing separately the aggregate amount of any recognised lease obligations that have been added back, and any other significant adjustments.

78 In the exceptional cases referred to in paragraph 53, when an entity measures investment property using the cost model in AASB 116, the reconciliation required by paragraph 76 shall disclose amounts relating to that investment property separately from amounts relating to other investment property. In addition, an entity shall disclose:

(a) a description of the investment property;

(b) an explanation of why fair value cannot be determined reliably;

(c) if possible, the range of estimates within which fair value is highly likely to lie; and

(d) on disposal of investment property not carried at fair value:

(i) the fact that the entity has disposed of investment property not carried at fair value;

(ii) the carrying amount of that investment property at the time of sale; and

(iii) the amount of gain or loss recognised.

Cost Model

79 **In addition to the disclosures required by paragraph 75, an entity that applies the cost model in paragraph 56 shall disclose:**

(a) the depreciation methods used;

(b) the useful lives or the depreciation rates used;

(c) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period;

(d) a reconciliation of the carrying amount of investment property at the beginning and end of the period, showing the following:

(i) additions, disclosing separately those additions resulting from acquisitions and those resulting from subsequent expenditure recognised as an asset;

(ii) additions resulting from acquisitions through business combinations;

(iii) assets classified as held for sale or included in a disposal group in accordance with AASB 5 and other disposals;

(iv) depreciation;

(v) the amount of impairment losses recognised, and the amount of impairment losses reversed,

during the period in accordance with AASB 136;

(vi) the net exchange differences arising on the translation of the financial statements into a different presentation currency, and on translation of a foreign operation into the presentation currency of the reporting entity;

(vii) transfers to and from inventories and owner-occupied property; and

(viii) other changes; and

(e) the fair value of investment property. In the exceptional cases described in paragraph 53, when an entity cannot determine the fair value of the investment property reliably, it shall disclose:

(i) a description of the investment property;

(ii) an explanation of why fair value cannot be determined reliably; and

(iii) if possible, the range of estimates within which fair value is highly likely to lie.

AASB 141 *Agriculture*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 141 *Agriculture*, showing staff requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

Disclosure

General

40. An entity shall disclose the aggregate gain or loss arising during the current period on initial recognition of biological assets and agricultural produce and from the change in fair value less costs to sell of biological assets.

41. An entity shall provide a description of each *group of biological assets*.

42. The disclosure required by paragraph 41 may take the form of a narrative or quantified description.

43. An entity is encouraged to provide a quantified description of each group of biological assets, distinguishing between consumable and bearer biological assets or between mature and immature biological assets, as appropriate. For example, an entity may disclose the carrying amounts of consumable biological assets and bearer biological assets by group. An entity may further divide those carrying amounts between mature and immature assets. These distinctions provide information that may be helpful in assessing the timing of future cash flows. An entity discloses the basis for making any such distinctions.

44. Consumable biological assets are those that are to be harvested as agricultural produce or sold as biological assets. Examples of consumable biological assets are livestock intended for the production of meat, livestock held for sale, fish in farms, crops such as maize and wheat, and trees being grown for lumber. Bearer biological assets are those other than consumable biological assets; for example, livestock from which milk is produced, grape vines, fruit trees, and trees from which firewood is harvested while the tree remains. Bearer biological assets are not agricultural produce but, rather, are self-regenerating.

45. Biological assets may be classified either as mature biological assets or immature biological assets. Mature biological assets are those that have attained harvestable specifications (for consumable biological assets) or are able to sustain regular harvests (for bearer biological assets).

46. If not disclosed elsewhere in information published with the financial statements, an entity shall describe:

(a) the nature of its activities involving each group of biological assets; and

(b) non-financial measures or estimates of the physical quantities of:

(i) each group of the entity's biological assets at the end of the period; and

(ii) output of agricultural produce during the period.

47. An entity shall disclose the methods and significant assumptions applied in determining the fair value of each group of agricultural produce at the point of harvest and each group of biological assets.

48. An entity shall disclose the fair value less costs to sell of agricultural produce harvested during the period, determined at the point of harvest.

49. An entity shall disclose:

(a) the existence and carrying amounts of biological assets whose title is restricted, and the carrying amounts of biological assets pledged as security for liabilities;

(b) the amount of commitments for the development or acquisition of biological assets; and

(c) financial risk management strategies related to agricultural activity.

50. An entity shall present a reconciliation of changes in the *carrying amount* of biological assets between the beginning and the end of the current period. The reconciliation shall include:

(a) **the gain or loss arising from changes in fair value less costs to sell;**

(b) **increases due to purchases;**

(c) **decreases attributable to sales and biological assets classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with AASB 5;**

(d) **decreases due to harvest;**

51. The fair value less costs to sell of a biological asset can change due to both physical changes and price changes in the market. Separate disclosure of physical and price changes is useful in appraising current period performance and future prospects, particularly when there is a production cycle of more than one year. In such cases, an entity is encouraged to disclose, by group or otherwise, the amount of change in fair value less costs to sell included in profit or loss due to physical changes and due to price changes. This information is generally less useful when the production cycle is less than one year (for example, when raising chickens or growing cereal crops).

52. Biological transformation results in a number of types of physical change – growth, degeneration, production, and procreation, each of which is observable and measurable. Each of those physical changes has a direct relationship to future economic benefits. A change in fair value of a biological asset due to harvesting is also a physical change.

53. Agricultural activity is often exposed to climatic, disease, and other natural risks. If an event occurs that gives rise to a material item of income or expense, the nature and amount of that item are disclosed in accordance with AASB 101 Presentation of Financial Statements. Examples of such an event include an outbreak of a virulent disease, a flood, a severe drought or frost, and a plague of insects.

Additional Disclosures for Biological Assets where Fair Value Cannot be Measured Reliably

54. If an entity measures biological assets at their cost less any accumulated depreciation and any accumulated impairment losses (see paragraph 30) at the end of the period, the entity shall disclose for such biological assets:

(a) a description of the biological assets;

(b) an explanation of why fair value cannot be measured reliably;

(c) if possible, the range of estimates within which fair value is highly likely to lie;

(d) the depreciation method used;

(e) the useful lives or the depreciation rates used; and

(f) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period.

55. If, during the current period, an entity measures biological assets at their cost less any accumulated depreciation and any accumulated impairment losses (see paragraph 30), an entity shall disclose any gain or loss recognised on disposal of such biological assets and the reconciliation required by paragraph 50 shall disclose amounts related to such biological assets separately. In addition, the reconciliation shall include the following amounts included in profit or loss related to those biological assets:

(a) impairment losses;

(b) reversals of impairment losses; and

(c) depreciation.

56. If the fair value of biological assets previously measured at their cost less any accumulated depreciation and any accumulated impairment losses becomes reliably measurable during the current period, an entity shall disclose for those biological assets:

(a) description of the biological assets;

(b) an explanation of why fair value has become reliably measurable; and

(c) the effect of the change.

Government Grants

57. **An entity shall disclose the following related to agricultural activity covered by this Standard:**

    (a) the nature and extent of government grants recognised in the financial statements;

    (b) unfulfilled conditions and other contingencies attaching to government grants; and

    (c) significant decreases expected in the level of government grants.

AASB 1004 *Contributions:* Text of Proposed Disclosures

The following are the disclosure requirements of AASB 1004 *Contributions*, showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

Disclosures

18 The following information shall be disclosed:

(a) contributions of assets, including cash and non-monetary assets; and;

(b) the forgiveness of liabilities.

Disclosure of Contributions

Paragraphs 60 to 62 of this Standard apply only to local governments, government departments, GGSs and whole of governments.

60 The complete set of financial statements shall disclose, separately by way of note, the amounts and nature of:

(a) contributions recognised as income during the reporting period in respect of which expenditure in a manner specified by a transferor contributor had yet to be made as at the reporting date, details of those contributions and the conditions attaching to them;

(b) contributions recognised as income during the reporting period that were provided specifically for the provision of goods or services over a future period;

(c) contributions recognised as income during the reporting period that were obtained in respect of a future rating or taxing period identified by the local government, GGS or whole of government for the purpose of establishing a rate or tax;

(d) the nature of the amounts referred to in (a), (b) and (c) above and, in respect of (b) and (c) above, the periods to which they relate; and

(e) contributions recognised as income in a previous reporting period that were obtained in respect of the current reporting period.

61 Where a local government, government department, GGS or whole of government receives contributions on the condition that the related assets shall be expended in a particular manner or used over a particular period, and those conditions are undischarged in part or in full as at the reporting date, the entity will have a strong fiduciary responsibility in relation to the deployment of those contributed assets. As noted in paragraph 20, this fiduciary responsibility does not constitute a liability. However, information about the contributions, including the conditions, is relevant to users of the complete set of financial statements, particularly in assessing performance and the discharge of accountability obligations. Accordingly, this Standard requires disclosure of those conditions where they are yet to be discharged, in part or in full, as at the reporting date. In addition, disclosure of contributions recognised as income in a previous reporting period that were provided specifically in respect of the current reporting period will provide information relevant to users' assessments of the entity's recovery of the cost of goods and services it has provided during the current reporting period.

62 The complete set of financial statements shall disclose separately the fair value of goods and services received free of charge, or for nominal consideration, that are recognised during the reporting period.

Additional Government Department Disclosures

Paragraph 63 of this Standard applies only to government departments.

63 The complete set of financial statements of a government department shall disclose separately:

(a) appropriations, by class; and

(b) liabilities that were assumed during the reporting period by the government or other entity.

Compliance with Parliamentary Appropriations and Other Externally-Imposed Requirements

Paragraphs 64 to 68 of this Standard apply only to government departments.

64 The complete set of financial statements of a government department shall disclose separately:

- **(a) a summary of the recurrent, capital or other major categories of appropriations, disclosing separately:**
  - **(i) the original amounts appropriated for the reporting period; and**
  - **(ii) the total amounts appropriated for the reporting period;**
- **(b) amounts authorised other than by way of appropriation and advanced separately by the Treasurer, other minister or other legislative authority for the reporting period;**
- **(c) the expenditures for the reporting period in respect of each of the items disclosed in (a) and (b) above;**
- **(d) the reasons for any material variances between the amounts appropriated or otherwise authorised and the associated expenditures for the reporting period; and**
- **(e) the nature and probable financial effect of any non-compliance by the government department with externally-imposed requirements for the reporting period, not already disclosed by virtue of (d) above, and that are relevant to assessments of the government department's performance, financial position or financing and investing activities.**

65 The information disclosed about compliance with externally-imposed requirements shall be in a form that is relevant to users of that information, and that reflects the following:

- (a) the operating characteristics of the government department;
- (b) the structure of the appropriations;

(c) any other requirements that are imposed externally on the government department; and

(d) the general purpose nature of the complete set of financial statements.

66 For the purposes of economic decision making, including assessments of accountability, this Standard requires that users of the complete set of financial statements be provided with information about the amounts appropriated or otherwise authorised for a government department's use, and whether the government department's expenditures were as authorised. When spending limits imposed by parliamentary appropriation or other authorisation have not been complied with, information regarding the amount of, and reasons for, the non-compliance is relevant for assessing the performance of management, the likely consequences of non-compliance, and the ability of the government department to continue to provide services at a similar or different level in the future.

67 Broad summaries of the major categories of appropriations and associated expenditures, rather than detailed reporting of appropriations line-item by line-item for each activity, is sufficient for most users of a government department's complete set of financial statements. Determining the level of detail and the structure of the summarised information is a matter of judgement. The detailed information about compliance with spending mandates required by certain users should be provided in special purpose financial statements.

68 In addition to requirements to comply with expenditure limits imposed by parliamentary appropriations, government departments are subject to a range of legislative, regulatory and other externally-imposed requirements governing their operations. Knowledge of non-compliance with such requirements is relevant for accountability purposes and may affect users' assessments of the government department's performance and likely future operations. It may also influence decisions about resources to be allocated to that government department in the future.

AASB 1050 *Administered Items*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 1050 *Administered Items*, showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

Disclosure of Administered Income, Expenses, Assets and Liabilities

7 **A government department shall disclose the following in its complete set of financial statements in relation to activities administered by the government department:**

- **(a) administered income, showing separately:**
  - **(i) each major class of income; and**
  - **(ii) in respect of each major class of income, the amounts reliably attributable to each of the government department's activities and the amounts not attributable to activities;**
- **(b) administered expenses, showing separately:**
  - **(i) each major class of expense; and**
  - **(ii) in respect of each major class of expense, the amounts reliably attributable to each of the government department's activities and the amounts not attributable to activities;**
- **(c) administered assets, showing separately each major class of asset; and**
- **(d) administered liabilities, showing separately each major class of liability.**

8 AASB 1052 specifies requirements for the disclosure of income and expenses attributable to a government department's activities. The principles in that Standard are applied in disclosing administered income and expenses reliably attributable to activities in accordance with paragraphs 7(a)(ii) and 7(b)(ii) of this Standard.

9 The tax revenues, user charges, fines and fees administered by a government department and the amount of funds transferred to eligible beneficiaries are an important indicator of the government department's performance in achieving its objectives. Therefore, paragraph 7 requires disclosure of income and expenses administered by a government department that are not recognised in the government department's operating statement. Disclosure of this information by major class and by activity facilitates an assessment of activity costs and cost recoveries, and is therefore relevant to parliamentary decision making and enhances the discharge of accountability obligations. Even though a government department does not control such items, the effective and efficient administration of these items is an important role of the government department.

Transfer Payments

10 A government department does not recognise as income and expenses those amounts that the government department is responsible for transferring to eligible beneficiaries, consistent with legislation or other authority, but that the government department does not control. If these amounts were recognised as income on receipt by the government department and as expenses on payment by the government department, users could incorrectly assume that the government department controlled these amounts. Nevertheless, this Standard requires such amounts to be disclosed in the complete set of financial statements because that information may be relevant for understanding the government department's financial performance, including assessments of accountability. Even though a government department does not control such items, their effective and efficient administration is an important role of the government department.

11 Details of the broad categories of recipients and the amounts transferred to those recipients shall be disclosed in the government department's complete set of financial statements.

AASB 1051 *Land Under Roads*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 1051 *Land Under Roads.* It is proposed that they be retained without amendment in the RDR.

11 An entity shall disclose its accounting policy for land under roads acquired before the end of the first reporting period ending on or after 31 December 2007, in each reporting period to which this Standard is applied.

12 The nature and net amount of each adjustment made in accordance with paragraph 9[5] shall be disclosed.

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5 Paragraph 9: "An entity shall make a final election under paragraph 8 effective as at the first day of the next reporting period following the end of the first reporting period ending on or after 31 December 2007. Any adjustments that arise from a final election that is made effective as at that first day shall be made against the opening balance of accumulated surplus (deficiency) of that next reporting period."

AASB 1052 *Disaggregated Disclosure:* Text of Proposed Disclosures

The following are the disclosure requirements of AASB 1052 *Disaggregated Disclosures*, showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

11 **The complete set of financial statements of a local government shall disclose in respect of each broad function or activity:**

- **(a) by way of note:**
  - **(i) the nature and objectives of that function/activity; and**
  - **(ii) the carrying amount of assets that are reliably attributable to that function/activity; and**
- **(b) by way of note or otherwise:**
  - **(i) income for the reporting period that is reliably attributable to that function/activity, with component revenues from related grants disclosed separately as a component thereof; and**
  - **(ii) expenses for the reporting period that are reliably attributable to that function/activity.**

12 **The information provided by way of note in accordance with paragraph 11 shall be aggregated and reconciled to agree with the related information in the financial statements of the local government.**

13 This Standard requires disclosure of information about the assets, income and expenses of the local government according to the broad functions or activities of the local government, whether they be related to service delivery or undertaken for commercial objectives. Disclosure of this information assists users in identifying the resources committed to particular functions/activities of the local government, the costs of service delivery that are reliably attributable to those functions/activities, and the extent to which the local government has recovered those costs from income that is reliably attributable to those functions/activities. Function/activity classification of financial information will also assist users in

assessing the significance of any financial or non-financial performance indicators reported by the local government.

14 AASB 114 *Segment Reporting* and AASB 8 *Operating Segments* are not applicable to local governments. The bases considered appropriate for identifying broad functions or activities of local governments would not necessarily accord with the criteria for identification of segments contained in those Standards. However, preparers of the complete set of financial statements may find that the guidance contained in those Standards is useful in identifying the income, expenses and assets that are reliably attributable to the broad functions or activities of the local government.

15 **The complete set of financial statements of a government department shall disclose:**

(a) in summarised form, the identity and purpose of each major activity undertaken by the government department during the reporting period;

(b) if not otherwise disclosed in, or in conjunction with, the government department's complete set of financial statements, a summary of the government department's objectives;

(c) expenses reliably attributable to each of the activities identified in (a) above, showing separately each major class of expenses; and

(d) income reliably attributable to each of the activities identified in (a) above, showing separately user charges, income from government and other income by major class of income.

16 **The complete set of financial statements of a government department shall also disclose the assets deployed and liabilities incurred that are reliably attributable to each of the activities identified in paragraph 15(a).**

17 Government departments are required to achieve service delivery as well as financial objectives. Accordingly, a government department's performance is assessed by reference to the effectiveness, economy and efficiency with which the government department achieves its service delivery and financial objectives. Financial information is

therefore only a subset of the information necessary to enable an adequate assessment of a government department's performance. Accordingly, the complete set of financial statements is presented as part of an annual report that discloses information about such matters as the government department's objectives and service delivery achievements during the reporting period. To enhance the quality of information available for assessing performance, paragraph 15 requires that a summary of the government department's objectives be disclosed in the complete set of financial statements where the government department's annual report does not include this disclosure.

18 Paragraphs 15 and 16 require disclosure of information about the expenses, income, assets and liabilities attributable to the major activities of a government department for the reporting period. This information is relevant in assessing the effectiveness, efficiency and economy of operations and of resource allocation decisions. It is also necessary for reviewing existing expenditure commitments and service delivery arrangements, and for considering the long-term funding implications of new initiatives.

19 However, in some instances it may not be possible to reliably attribute all expenses, income, assets and liabilities to each of the major activities of a government department. Paragraphs 15 and 16 require that the complete set of financial statements of a government department only disclose, on an activity by activity basis, information about the expenses, income, assets and liabilities that can be reliably attributed to major activities.

Identifying Major Activities of Government Departments

20 Judgement is required to identify those activities of a government department that warrant separate disclosure in the complete set of financial statements. Exercising this judgement involves a consideration of the following:

(a) the objectives of the government department;

(b) the likely users of the general purpose financial statements;

(c) the activity level that may be relevant to users' assessments of the performance of the government department; and

(d) the concept of materiality as set out in the Framework for the Preparation and Presentation of Financial Statements and AASB 1031.

21 AASB 1050 also contains requirements relating to the disclosure of administered income and expenses attributable to a government department's activities. The principles in this Standard are used in satisfying the requirements in AASB 1050.

Interpretations: Text of Proposed Disclosures

The following are the disclosure requirements of Interpretations, showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

Disclosures

Interpretation 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*

6(d) AASB 101 requires disclosure in the statement of comprehensive income of each component of other comprehensive income or expense. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability shall be separately identified and disclosed as such.

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

13 When a change in the redemption prohibition leads to a transfer between financial liabilities and equity, the entity shall disclose separately the amount, timing and reason for the transfer.

Interpretation 4 *Determining whether an Arrangement contains a Lease*

15 If a purchaser concludes that it is impracticable to separate the payments reliably, it shall:

(a) in the case of a finance lease, recognise an asset and a liability at an amount equal to the fair value of the underlying asset that was identified in paragraphs 7 and 8 as the subject of the lease. Subsequently the liability shall be reduced as payments are made and an imputed finance charge on the liability recognised using the purchaser's incremental borrowing rate of interest or

(b) in the case of an operating lease, treat all payments under the arrangement as lease payments for the purposes of complying with the disclosure requirements of AASB 117, but:

(i) disclose those payments separately from minimum lease payments of other arrangements that do not include payments for non-lease elements; and

(ii) state that the disclosed payments also include payments for non-lease elements in the arrangement.

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

11 A contributor shall disclose the nature of its interest in a fund and any restrictions on access to the assets in the fund.

12 When a contributor has an obligation to make potential additional contributions that is not recognised as a liability (see paragraph 10), it shall make the disclosures required by paragraph 86 of AASB 137.

13 When a contributor accounts for its interest in the fund in accordance with paragraph 9, it shall make the disclosures required by paragraph 85(c) of AASB 137.

Interpretation 14 ***AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction***

10 In accordance with AASB 101 *Presentation of Financial Statements*, the entity shall disclose information about the key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amount of the net asset or liability recognised in the statement of financial position. This might include disclosure of any restrictions on the current realisability of the surplus or disclosure of the basis used to determine the amount of the economic benefit available.

Interpretation 15 ***Agreements for the Construction of Real Estate***

20 When an entity recognises revenue using the percentage of completion method for agreements that meet all the criteria in paragraph 14 of AASB 118 continuously as construction progresses (see paragraph 17 of the Interpretation), it shall disclose:

(a) how it determines which agreements meet all the criteria in paragraph 14 of AASB 118 continuously as construction progresses;

(b) the amount of revenue arising from such agreements in the period; and

(c) the methods used to determine the stage of completion of agreements in progress.

21 For the agreements described in paragraph 20 that are in progress at the reporting date, the entity shall also disclose:
(a) the aggregate amount of costs incurred and recognised profits (less recognised losses) to date; and
(b) the amount of advances received.

Interpretation 17 *Distributions of Non-cash Assets to Owners*

16 An entity shall disclose the following information, if applicable:
(a) the carrying amount of the dividend payable at the beginning and end of the period; and
(b) the increase or decrease in the carrying amount recognised in the period in accordance with paragraph 13 as result of a change in the fair value of the assets to be distributed.

17 If, after the end of a reporting period but before the financial statements are authorised for issue, an entity declares a dividend to distribute a non-cash asset, it shall disclose:
(a) the nature of the asset to be distributed;
(b) the carrying amount of the asset to be distributed as of the end of the reporting period; and
(c) the estimated fair value of the asset to be distributed as of the end of the reporting period, if it is different from its carrying amount, and the information about the method used to determine that fair value required by AASB 7 paragraph 27(a) and (b).

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

10 All aspects of an arrangement that does not, in substance, involve a lease under AASB 117 shall be considered in determining the appropriate disclosures that are necessary to understand the arrangement and the accounting treatment adopted. An entity shall disclose the following in each period that an arrangement exists:
(a) a description of the arrangement including:
  (i) the underlying asset and any restrictions on its use;
  (ii) the life and other significant terms of the arrangement;

(iii) the transactions that are linked together, including any options; and

(b) the accounting treatment applied to any fee received, the amount recognised as income in the period, and the line item of the statement of comprehensive income in which it is included.

11 The disclosures required in accordance with paragraph 10 of this Interpretation shall be provided individually for each arrangement or in aggregate for each class of arrangement. A class is a grouping of arrangements with underlying assets of a similar nature (e.g., power plants).

Interpretation 129 *Service Concession Arrangements: Disclosures*

6 All aspects of a service concession arrangement shall be considered in determining the appropriate disclosures in the notes. An operator and a grantor shall disclose the following in each period:

(a) a description of the arrangement;

(b) significant terms of the arrangement that may affect the amount, timing and certainty of future cash flows (e.g. the period of the concession, re-pricing dates and the basis upon which re-pricing or re-negotiation is determined);

(c) the nature and extent (e.g. quantity, time period or amount as appropriate) of:

(i) rights to use specified assets;

(ii) obligations to provide or rights to expect provision of services;

(iii) obligations to acquire or build items of property, plant and equipment;

(iv) obligations to deliver or rights to receive specified assets at the end of the concession period;

(v) renewal and termination options; and

(vi) other rights and obligations (e.g. major overhauls);

(d) changes in the arrangement occurring during the period; and

(e) how the service arrangement has been classified.

6A An operator shall disclose the amount of revenue and profits or losses recognised in the period on exchanging construction services for a financial asset or an intangible asset.

Interpretation 1019 ***The Superannuation Contributions Surcharge***

10 The financial statements shall disclose:

(a) the accounting policy adopted for the recognition of the liability for the superannuation contributions surcharge;

(b) the amount of the superannuation contributions surcharge recognised as an expense during the reporting period;

(c) the amount of the liability for the superannuation contributions surcharge recognised as at the end of the reporting period; and

(d) whether any unrecognised liability for the superannuation contributions surcharge exists as at the end of the reporting period, stating the reasons for not recognising the liability.

Interpretation 1047 ***Professional Indemnity Claims Liabilities in Medical Defence Organisations***

9 The following information shall be disclosed in relation to the determination of the liability for outstanding claims:

(a) the accounting policies and methods adopted, including the basis of measurement and key assumptions applied; and

(b) information about the nature and extent of the underlying indemnity arrangements, including significant terms and conditions that may affect the amount, timing and uncertainty of future cash flows.

Interpretation 1052 ***Tax Consolidation Accounting***

16 The following information shall be disclosed separately by a head entity and by a subsidiary in a tax-consolidated group:

(a) the relevance of the tax consolidation system to the entity, including the part of the reporting period for which it applies to the entity where it is not applicable for the whole of the reporting period, and the name of the head entity;

(b) the method adopted for measuring the current and deferred tax amounts;

(c) information about the nature of any tax funding arrangement and any tax sharing agreement, including significant terms and conditions that may affect the amount, timing and uncertainty of future cash flows; and

(d) the net amount recognised for the period as tax consolidation contributions by (or distributions to) equity.

APPENDIX B

STANDARDS EXCLUDED FROM TIER 2 AND STANDARDS APPLICABLE TO TIER 2 ENTITIES UNAMENDED

This appendix is an integral part of the proposals in this Exposure Draft.

AASB Standards excluded from the RDR

(a) AASB 1023 *General Insurance Contracts*, AASB 1038 *Life Insurance Contracts* and AASB 4 *Insurance Contracts* are excluded from the RDR on the grounds that an entity that applies any of these Standards is likely to have material insurance contracts and therefore be a registered insurer or a large fee-for-service organisation, such as a roadside assistance entity. Accordingly, an entity that applies AASB 1023, AASB 1038 or AASB 4 would generally be a publicly accountable entity and therefore required to prepare Tier 1 general purpose financial statements. Some insurers may not be publicly accountable, such as ‘captive insurers’ that deal only with insurance contracts within their own group. Such insurers are considered likely to have relatively simple insurance arrangements and not be unduly impacted by the full disclosure requirements of AASB 4 and AASB 1023.

(b) AAS 25 *Financial Reporting by Superannuation Plans* has been excluded from the RDR on the grounds that entities applying AAS 25 would be superannuation plans registered with the Australian Prudential Regulations Authority, which are regarded as publicly accountable in this Exposure Draft. Superannuation entities that apply AAS 25 and prepare general purpose financial statements are required, under the *Superannuation Industry (Supervision) Act* (1993), to hold assets in a fiduciary capacity for their members. In addition, most superannuation entities, particularly public offer superannuation plans and approved deposit funds, have a broad range of members who have no involvement in the day-to-day operations of the entity.

(c) AASB 1049 *Whole of Government and General Government Sector Financial Reporting* applies only to relevant Tier 1 entities and has no Tier 2 equivalent.

AASB Standards applicable to Tier 2 entities without amendment

(a) AASB 134 *Interim Financial Reporting* would be available to Tier 2 entities. The Standard includes the choice of condensed financial statements and selected explanatory notes. Under AASB 134, entities can also choose to prepare complete financial statements as interim financial reports. In that case, entities applying Tier 2 requirements would prepare their interim financial reports using the RDR requirements.

(b) AASB 129 *Financial Reporting in Hyperinflationary Economies* would be applicable to entities applying Tier 2 requirements without any amendments to disclosures.

(c) AASB 8 *Operating Segments* has been excluded from the RDR as it is applicable to for-profit entities:

    (i) whose debt or equity instruments are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); or

    (ii) that files, or is 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.

    Such entities are regarded as having public accountability.

(d) AASB 1031 *Materiality* applies equally to both Tier 1 and Tier 2 entities.

APPENDIX C

ANALYSIS OF PROPOSED DISCLOSURES

Introduction

The following introduction sets out the principles that were applied in analysing full IFRSs as adopted in Australia in determining the proposed reduced disclosures. The analyses are available on AASB website.

IN1 The disclosures under the proposed RDR have been determined by:

(a) drawing directly on the *IFRS for SMEs* when the RDR recognition and measurement requirements are the same as those under the *IFRS for SMEs*; and

(b) using the 'user need' and 'cost-benefit' principles applied by the IASB in developing its *IFRS for SMEs* when the RDR recognition and measurement requirements are not the same as those available under the *IFRS for SMEs*.

This is further explained below.

Approach when recognition and measurement requirements are the same

IN2 Where the disclosure requirements under a full IFRS as adopted in Australia and the *IFRS for SMEs* are the same or similar (that is, result in the same disclosures), those disclosure requirements are retained as part of the proposed RDR, using the wording of the relevant full IFRS as adopted in Australia.

IN3 Where the *IFRS for SMEs* does not require a disclosure that is required in the relevant full IFRS, the proposed RDR does not retain that disclosure. Furthermore, where the *IFRS for SMEs* is less onerous than the relevant full IFRS, the less onerous disclosure is adopted. This is on the basis that, in developing the *IFRS for SMEs*, the IASB has already applied the user needs and cost benefit considerations and concluded that an exemption or reduced disclosure is appropriate. Although the *IFRS for SMEs* has been developed to apply to for-profit private sector entities, broadly it is considered reasonable to rely on the judgements made in developing the *IFRS for SMEs* in respect of both for-profit and not-for-profit (including public sector) entities in Australia given that IFRSs are generally applied to all types of Australian entities. The AASB uses its *Process for Modifying IFRSs for PBE/NFP* in assessing the need for specific requirements relating to not-for-profit entities. In most cases, the structure of the words in the relevant full IFRS enables the use of shading to show that a relevant disclosure is excluded or reduced so as to match the *IFRS for SMEs* disclosure outcome. In the few cases where this is not feasible, the wording in the *IFRS for SMEs* is used as an Aus paragraph/RDR paragraph.

IN4 In the few cases where the *IFRS for SMEs* has an additional disclosure requirement that is not included in the full IFRS, that disclosure is not included in the proposed RDR.

Approach when recognition and measurement requirements are not the same

IN5 The disclosures under the proposed RDR have been determined by drawing on the 'user need' and 'cost-benefit' principles applied by the IASB in developing its *IFRS for SMEs* when the RDR recognition and measurement requirements are not the same as those under the *IFRS for SMEs*.

IN6 The principles applied by the IASB in developing its *IFRS for SMEs* are grounded in the view that users of financial information of non-publicly accountable for-profit entities are particularly interested in knowing about:

(a) short-term cash flows and about obligations, commitments or contingencies, whether or not recognised as liabilities;

(b) liquidity and solvency;

(c) measurement uncertainties;

(d) the entity's accounting policy choices;

(e) disaggregations of amounts presented in the financial statements; and

(f) transactions and other events and conditions encountered by such entities.

Guidance

IN7 Guidance relating to a disclosure that is retained in the RDR is also retained on the grounds that it assists entities in making that disclosure and would not add to the disclosure burden. Guidance that relates to a disclosure that is not retained in the proposed RDR is also not retained in the proposed RDR. Text in the nature of contextual material has not been treated as guidance. Such text is retained in the RDR on the ground that its retention does not add to the disclosure burden.

Disclosure Encouraged

IN8 Where a disclosure is encouraged, whether under the full IFRSs as adopted in Australia or the *IFRS for SMEs*, it is not included.

Presentation vs Disclosure

IN9 The RDR does not amend the presentation (sometimes used interchangeably with classification) requirements of full IFRSs and is concerned with reducing the disclosure burden. Sometimes judgement is required as to whether a particular requirement relates to presentation or disclosure. The following criteria are used to distinguish between presentation and disclosure:

> ‘Presentation requirements are limited to requirements that specify the broad structure of financial statements including the basis of classification of items. Specifications relating to subclassifications or line items to be shown on the face of financial statements, or in the notes, are treated as matters of disclosure.’

Clarification in relation to not-for-profit and public sector entities

IN10 Paragraphs IN3 and IN6 are relevant to all types of entities, since the same transactions are generally accounted for in the same manner for all types of entities under the AASB’s policy of transaction neutrality. However, there are a limited number of disclosure requirements in full IFRSs as adopted in Australia specific to the circumstances of not-for-profit and public sector entities. In relation to these disclosures, the proposed RDR disclosures have been determined by drawing on the principles applied by the IASB in developing its *IFRS for SMEs* in the context of the specific needs of users of not-for-profit and public sector entity financial statements.

For the analyses of proposed disclosures please refer to
http://www.aasb.gov.au /AASB-Board/staff-papers.aspx