

Know what changes will impact you  
this reporting season?

RSM Bird Cameron is pleased to present **Financial INSIGHT**, offering you the latest in financial reporting news for the months ahead.

For more information on the changes detailed in this publication contact your local RSM Bird Cameron advisor or visit [www.rsmi.com.au](http://www.rsmi.com.au).

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In this issue of **Financial INSIGHT** we offer an overview of the latest in new and revised financial reporting requirements for full years and half years ending 31 December 2007.

### PART 1: APPLICABLE FOR THE FIRST TIME FOR FULL YEARS ENDING 31 DECEMBER 2007

Standard/Interpretation	New or Revised	Released	Effective (Years Beginning)
AASB 101 <i>Presentation of Financial Statements</i>	Revised	October 2006	1 January 2007
AASB 7 <i>Financial Instruments: Disclosures</i> , AASB 2005-10 <i>Amendments to Australian Accounting Standards</i> (Consequential Amendments) and Revised Guidance on Implementing IFRS 4 <i>Insurance Contracts</i>	New	August 2005	1 January 2007
Interpretation 7 <i>Applying the Restatement Approach under AASB 129</i> <i>'Financial Reporting in Hyperinflationary Economies'</i>	New	February 2006	1 March 2006
Interpretation 8 <i>Scope of AASB 2</i>	New	March 2006	1 May 2006
Interpretation 9 <i>Reassessment of Embedded Derivatives</i>	New	April 2006	1 June 2006
Interpretation 10 <i>Interim Financial Reporting and Impairment</i>	New	September 2006	1 November 2006

## Changes to AASB 101 effective 1/1/07

The October 2006 revisions to AASB 101 *Presentation of Financial Statements* were predominantly made in order to bring AIFRS in line with IFRS. This required the removal of the majority of the Australian implementation guidance, including illustrative financial statement formats.

The following 'AUS' disclosure requirements have been removed:

- reason & justification for not using AUD as the presentation currency;
- length of operating cycle where it is greater than 12 months;
- retained earnings attributable to parent on the face of the balance sheet;
- name of the entity on which there is economic dependency and nature of that dependency.

However, the dividend and franking account balance disclosures which are included in AASB 101, but not in IAS 1 remain. As a consequence of AASB 7, the following additional disclosures are now required:

- objectives, policies and process for managing capital;
- quantitative data about what the entity regards as capital;
- changes in either during the period; and
- details of compliance with externally imposed capital requirements.

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

AASB 7 is a new standard which contains the disclosure requirements relating to financial instruments. As such, it replaces the disclosure requirements of AASB 132 (and AASB 130 for banks and other financial institutions). It also enhances those requirements in relation to balance sheet and income statement disclosures.

AASB 7 applies to reporting entities and broadens the scope of financial instruments to include those covered by AASB 132 and AASB 130 for all entities. It prescribes quantitative and qualitative disclosures about entities' exposure to risks arising from financial instruments and minimum disclosures about market risks.

Comparative information is required for all disclosures and both consolidated and parent information must be disclosed.

Some of the significant additional disclosures required by AASB 7 include:

- sensitivity analysis for each type of market risk (credit, liquidity and price risk);
- carrying amount & net gain / loss for each class of financial asset;
- undiscounted liquidity analysis for all financial liabilities;
- reconciliations of impairment allowances, eg provision for doubtful debts;
- loans & receivables and financial liabilities at fair value through profit or loss;
- ineffectiveness recognised on cash flow hedges and hedges of net investments in foreign operations;
- adjustments arising from fair value hedges.

### **Interpretation 7 Applying the Restatement Approach under AASB 129 'Financial Reporting in Hyperinflationary Economies'**

AASB 129 requires financial statements to be stated in terms of the measuring unit current at the reporting date when they are reported in the currency of a hyperinflationary economy. This is applicable to both current and prior period amounts. Interpretation 7 specifies that when hyperinflation is first identified, AASB 129 should be applied as if the economy has always been hyperinflationary. It explains how this requirement should be applied both in general and specifically for deferred tax items.

### **Interpretation 8 Scope of AASB 2**

This Interpretation clarifies that AASB 2 *Share Based Payments* includes transactions in which the entity cannot specifically identify the goods or services received as consideration for the share based payment. If the identifiable consideration received is less than the fair value of the instruments granted, it is usually indicative of the existence of unidentifiable goods or services that will be received. Identifiable goods or services received shall be measured in accordance with AASB 2. Unidentifiable goods or services received or receivable are measured as the difference between the fair value of the share based payment and the fair value of the identifiable goods and services.

### Interpretation 9 **Reassessment of Embedded Derivatives**

AASB 139 *Financial Instruments: Recognition and Measurement* requires separation of an embedded derivative and its host contract in certain circumstances. Interpretation 9 clarifies that an entity is only required to reassess whether such separation is required when there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required. The Interpretation also addresses assessment of embedded derivatives on first-time adoption of IFRS.

### Interpretation 10 **Interim Financial Reporting and Impairment**

This Interpretation clarifies that an entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

## PART 2: APPLICABLE FOR THE FIRST TIME FOR HALF YEARS ENDING 31 DECEMBER 2007

Standard/Interpretation	New or Revised	Released	Effective (Years Beginning)
AASB 101 <i>Presentation of Financial Statements</i>	Revised	October 2006	1 January 2007
AASB 2007-4 <i>Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments and Erratum: Proportionate Consolidation</i>	Revisions	April 2007	1 July 2007
AASB 2007-5 <i>Amendments to Australian Accounting Standard - Inventories Held for Distribution by Not-For-Profit entities</i>	Revisions	May 2007	1 July 2007
AASB 2007-7 <i>Amendments to Australian Accounting Standards</i>	Revisions	June 2007	1 July 2007
Interpretation 11 <i>AASB2 - Group and Treasury Share Transactions</i>	New	February 2007	1 March 2007
Interpretation 1003 <i>Australian Petroleum Rent Resource Tax</i>	New	December 2007	1 July 2007

### AASB 2007-4 **Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments and Erratum: Proportionate Consolidation**

The revisions from this amending standard were made on the basis that all options existing under IFRS should be included in AIFRS and that additional Australian disclosures should be eliminated. Some of the key amendments include:

- AASB 107: indirect method for presenting a Statement of Cash Flows option added;
- AASB 112: additional option for reconciling accounting profit and tax expense;
- AASB 119: commentary removed regarding the use of high quality corporate bonds for discounting employee benefit liabilities;
- AASB 119: not-for-profit public sector entities to use market yields on government bonds to discount such liabilities;
- AASB 120: record non-monetary grants at nominal amounts and present assets and expenses net of related grants;
- AASB 127, 128, 131, 1023, 1038: amended definition of 'separate financial statements' - same as the IFRS definition;
- AASB 131: option to use proportionate consolidation for investments in joint venture entities added (however current ED 157 proposes to disallow the use of proportionate consolidation).

### **AASB 2007-5 Amendments to Australian Accounting Standard - Inventories Held for Distribution by Not-For-Profit entities**

Inventories held for distribution by not-for-profit entities shall be measured at cost adjusted for loss of service potential. (Previously they were required to be measured at the lower of cost and current replacement cost).

### **AASB 2007-7 Amendments to Australian Accounting Standards**

Minor amendments only for minor drafting errors in standards.

### **Interpretation 11 AASB 2 - Group and Treasury Share Transactions**

Interpretation 11 clarifies the application of IFRS 2 *Share-based Payments* to certain share-based payment arrangements involving the entity's own equity instruments and equity instruments of the entity's parent.

The Interpretation requires that when an entity receives services as consideration for rights to its own equity instruments, the transaction should be accounted for as equity-settled regardless of whether:

- the entity chooses or is required to purchase equity instruments to satisfy its obligation;
- the entity or its parent grants the right; or
- the transaction is settled by the entity or by its parent.

### **Interpretation 1003 Australian Petroleum Resource Rent Tax**

This Interpretation clarifies that Australian Petroleum Resource Rent Tax (PRRT) falls within the scope of Accounting Standard AASB 112 *Income Taxes*.

## CFO News

Our recent survey of finance decision makers in medium to large enterprises across Australia was designed to uncover the current issues facing CFOs today and gain insights into the direction in which they are headed.

The findings from the research have now been released together with our perspective on the implications for finance decision makers.

Covering important issues such as Compliance, Metrics, Gearing, Private Equity, The Tax Regime and Audits this report is a must for those holding a finance position.

**To access a free copy of the report, email your RSM Bird Cameron contact or visit [www.rsmi.com.au](http://www.rsmi.com.au).**



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