

Basis for Conclusions on AASB 2008-9

This Basis for Conclusions accompanies, but is not part of, AASB 1049. The Basis for Conclusions was originally published with AASB 2008-9 Amendments to AASB 1049 for Consistency with AASB 101 (September 2008).

Background

- BC1 This Basis for Conclusions summarises the Australian Accounting Standards Board's considerations in reaching the conclusions in this Standard. Individual Board members gave greater weight to some factors than to Others.

Significant issues

- BC2 AASB 101 *Presentation of Financial Statements* (as issued in October 2006) required the presentation of an income statement that included items of income and expense recognised in profit or loss. It required items of income and expense not recognised in profit or loss to be presented in the statement of changes in equity, potentially together with owner changes in equity. Revised AASB 101 (issued September 2007) includes requirements for income and expenses to be presented in one statement (a statement of comprehensive income) or in two statements (a separate income statement and a statement of comprehensive income), separately from owner changes in equity. As a result of these changes, revised AASB 101 more closely aligned with the principles in AASB 1049 (issued October 2007), and it became possible for AASB 1049 to rely more heavily on the principles in AASB 101 by cross-reference rather than express requirements directly in AASB 1049. The changes help reinforce the approach taken in AASB 1049 of relying on other Standards rather than re-expressing the principles in those Standards directly in AASB 1049.
- BC3 The Board noted that a consequence of relying on the revised AASB 101 is a requirement to present a statement of changes in equity. Previously, AASB 1049 contemplated information pertinent to a statement of changes in equity being presented in a note or a separate statement to the extent the information is not included in the statement of comprehensive income. This is because of the way in which superseded AASB 101 treated such items. For example, superseded AASB 101 required changes in reserves to be presented in what was then a statement of changes in equity (which included components of comprehensive income) or in the notes. It also contemplated transactions with owners in their capacity as owners being presented in the statement of changes in equity or in the notes. Revised AASB 101 requires changes in reserves and transactions with owners in their capacity as owners to be presented in the statement of changes in equity. Therefore, this Standard amends AASB 1049 to require the presentation of a statement of changes in equity.
- BC4 With minor exceptions, the Board decided to align the terminology used in AASB 1049 with the terminology in revised AASB 101 to ensure greater consistency across the suite of Australian Accounting Standards. The reference to 'comprehensive result' and 'operating result' is retained, despite revised AASB 101's use of the terms 'total comprehensive income' and 'profit or loss'. The Board concluded that, for the purpose of the Standard, the terms 'comprehensive result' and 'operating result' are more appropriate in a not-for-profit public sector context.
- BC5 Consistent with revised AASB 101, the financial statement titles 'balance sheet', 'operating statement' and 'cash flow statement' have been replaced by 'statement of financial position', 'statement of comprehensive income' and 'statement of cash flows' respectively. However, the Board notes that, consistent with the flexibility on statement titles allowed for in revised AASB 101, whole of governments and GGSs would not be restricted by AASB 1049 to using the titles used in AASB 1049.
- BC6 The Board decided that the transitional requirements in the revised AASB 1049 should not be available to governments that have previously applied AASB 1049 as issued in October 2007. This is because the transitional requirements should only be available once, on the initial transition to GAAP/GFS harmonisation.
- BC7 Following feedback on AASB 1049 from constituents the Board decided to clarify that:
- (a) the whole of government statement of comprehensive income disclosures referred to in paragraph 41(b)(iii) of AASB 1049 relate to the sector statements of comprehensive income that are disclosed for the whole of government; and
 - (b) the budget information disclosure requirements in paragraph 59 of AASB 1049 only relate to the budgeted financial statement(s) that were initially presented to parliament.

- BC8 To assist in implementing the changes to AASB 1049 the Board decided to incorporate the changes into the Illustrative Examples in the Standard, including the addition of illustrations of the statement of changes in equity.
- BC9 Following feedback from constituents on ED 163 the Board decided:
- (a) to require that, where the revised AASB 1049 is applied to annual reporting periods beginning before 1 January 2009, there is early adoption for the same annual reporting period of AASB 101 (September 2007). This will help to ensure consistency in application of the two Standards; and
 - (b) to illustrate the statement of changes in equity for the whole of government by sector in a down-the-page, rather than an across-the-page, format in an attempt to make it more understandable.