

Basis for Conclusions on AASB 2011-3

This Basis for Conclusions accompanies, but is not part of, AASB 1049. The Basis for Conclusions was originally published with AASB 2011-3 Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments (May 2011).

Background

- BC1 This Basis for Conclusions summarises the Australian Accounting Standards Board (AASB) considerations in reaching the conclusions in this Standard. Individual Board members gave greater weight to some factors than to others.
- BC2 Given the substantial change to financial reporting brought about by AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (October 2007), the Board decided to undertake a post-implementation review of that Standard. The objective was to identify any material issues at an operational level with a view to improving financial reporting. The post-implementation review included consideration of the consistency of application of AASB 1049 across jurisdictions.
- BC3 Various methods were used to identify the AASB 1049 implementation issues, some of which are the subject of this Standard. These methods included consulting with personnel with AASB 1049 implementation experience from each jurisdiction's Department of Treasury and Finance and Auditor-General's Office.
- BC4 After reviewing the implementation issues identified, the Board proposed amendments to AASB 1049 in Exposure Draft ED 211 *Proposed Amendments to AASB 1049* (Issued in March 2011). The Exposure Draft was structured to focus on two sets of proposals:
- (a) Part 1, open for a 30-day comment period, relates to the definition of the ABS GFS Manual, relief from adopting the latest version of the ABS GFS Manual, and related disclosures; and
 - (b) Part 2, open for a 90-day comment period, relates to other proposals.

Part 1 had a 30-day comment period because of the Board's aim to provide relief as early as possible from the requirement to adopt the latest version of the ABS GFS Manual, so that the relief would be available for the reporting period ending on 30 June 2011. Therefore, this Standard arises from the Part 1 proposals in ED 211. The second set of proposals will be considered in due course.

Issues giving rise to amendments to AASB 1049

Orderly adoption of changes to the ABS GFS Manual [paragraphs 13B, 39(a)(ii) & 39A]

- BC5 The Board considered how best to draft requirements into AASB 1049 that would help facilitate the orderly adoption of future amendments to the ABS GFS Manual for the purposes of GAAP/GFS harmonised financial reporting. The Board noted that there are potentially two broad aspects to this issue:
- (a) the manner in which a change to the ABS GFS Manual should be initially adopted in the GAAP/GFS harmonised financial statements for the purposes of determining GFS information included in those statements; and
 - (b) the time lag to allow between the change being issued and it becoming mandatory for the GAAP/GFS harmonised financial statements.
- BC6 In relation to the manner in which a change in the ABS GFS Manual should be initially adopted, the Board noted that if AASB 1049 were to override, or even merely clarify, GFS transitional arrangements, it would arguably go beyond the Board's role, and potentially result in the Board interpreting or effectively modifying the ABS GFS Manual. To avoid this, consistent with the approach in AASB 1049, the Board decided that AASB 1049 should adopt the ABS GFS Manual as it is. The Board noted that to do otherwise would create the potential for there to be a permanent difference between the amounts presented as GFS in the financial statements and amounts published by the ABS. However, the Board noted this decision only pertains to GFS information, and therefore GAAP requirements (including those relating to retrospectivity in AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*) apply, unamended, to the manner in which a change in accounting policy is initially adopted.

- BC7 In relation to time lag, the Board noted that providing relief through a ‘time lag’ has the potential to give rise to temporary differences between the amounts presented as GFS in the financial statements and amounts published by the ABS. After considering alternative approaches on how to give an effective time lag between the issue of an amendment to the ABS GFS Manual and when it becomes mandatory for GAAP/GFS harmonised financial reporting purposes, the Board decided AASB 1049 should specify that references to the ABS GFS Manual are to the version of the Manual effective at the beginning of the previous annual reporting period or any version effective at a later date. The Board decided to allow jurisdictions to adopt a version of the ABS GFS Manual for AASB 1049 financial reporting purposes, even if that version was not effective until after the beginning of the reporting period, consistent with the Board’s usual policy of allowing early adoption of Australian Accounting Standards.
- BC8 The Board noted that this approach is broadly aligned with the Board’s normal approach to specifying transitional requirements for changes to GAAP because it:
- (a) specifies, albeit in an ambulatory two year lagged way, a mandatory operative date for changes to the ABS GFS Manual;
 - (b) provides a reasonable time for entities to implement changes to the ABS GFS Manual that could affect comparative information; and
 - (c) allows, but does not require, entities to adopt changes to the ABS GFS Manual prior to mandatory operative dates.
- BC9 The Board also noted that this approach would warrant an amendment to paragraph 39 of AASB 1049, to help ensure users are informed about the version of the ABS GFS Manual adopted as the basis for GFS information included in financial statements. Consequently, amendments are made to Illustrative Example C ‘Extract from the Note Containing the Summary of Significant Accounting Policies of a General Government Sector’, which provides an illustration of disclosures required by paragraph 39. Also, consistent with paragraph 30 of AASB 108 relating to new but not yet effective Standards, the Board decided that AASB 1049 should require the disclosure of information about the latest version of the ABS GFS Manual that has not yet had an impact on the financial statements.
- BC10 To address concerns about uncertainties that arise from the ABS potentially not specifying effective dates for amendments to the ABS GFS Manual, the Board decided to clarify that the date on which amendments to the ABS GFS Manual become effective is, for the purpose of AASB 1049, the publication date if no effective date is specified by the ABS.

Definition of the ABS GFS Manual [Appendix A]

- BC11 The Board decided that the ABS GFS Manual continues to be the appropriate authoritative source for GFS matters that are pertinent to general purpose financial reporting. After consulting with the ABS, which had clarified the boundaries of the ABS GFS Manual on its website since ED 211 was issued, the Board also decided the ABS GFS Manual should be defined as “Australian Bureau of Statistics publications *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2005* (ABS Catalogue No. 5514.0) and *Amendments to Australian System of Government Finance Statistics, 2005* (ABS Catalogue No. 5514.0) published on the ABS website”. Consequently, amendments are made to the illustrated explanation of the key technical term ‘Government Finance Statistics (GFS)’ provided in Illustrative Example D ‘Key Technical Terms Used in the Complete Sets of Financial Statements’ to make it consistent with the revised definition of the ABS GFS Manual.