

Basis for Conclusions on AASB 2019-5

This Basis for Conclusions accompanies, but is not part of, AASB 1054. The Basis for Conclusions was originally published with AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia.

Introduction

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

Reasons for issuing this Standard

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

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

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

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

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

Issue of Fatal-Flaw Review version

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