

## Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, AASB 1054.*

### Background

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BC1 This Basis for Conclusions summarises the considerations of the Australian Accounting Standards Board and the Financial Reporting Standards Board (FRSB) of the New Zealand Institute of Chartered Accountants (NZICA) in reaching the conclusions in AASB 1054. It also provides a context for the Boards' decisions about harmonising the disclosure requirements. It focuses on the issues that the Boards consider to be of greatest significance. Individual Board members gave greater weight to some factors than to others.

### Location of Additional Disclosures

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BC2 The Boards discussed the merits of locating the additional domestic disclosure requirements in a separate disclosure standard compared with locating them within topic-based standards, which is the current practice. Some members supported a separate disclosure standard largely on the basis that it would facilitate the topic-based standards being identical to International Financial Reporting Standards (IFRSs). Other members expressed a preference for locating additional disclosures within topic-based standards for ease of use. On balance, with the benefit of constituent responses to AASB ED 200B / FRSB ED 122 *Proposed Separate Disclosure Standards*, the Boards decided to locate the additional disclosures in separate disclosure standards on the basis that they view bringing the wording of Australian and New Zealand Standards closer to IFRSs as one of the greatest benefits of the Trans-Tasman Convergence project.

### Definitions

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BC3 The definition of 'annual reporting period' has been retained on the basis that it is used in application paragraphs of AASB Standards, consistent with terminology in the Australian *Corporations Act 2001*.

BC4 The definition of 'special purpose financial statements' has been retained on the basis that it is used in a disclosure requirement related to the AASB's differential reporting framework.

### Audit Fees

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BC5 The AASB and the FRSB have relocated and amended the audit fee disclosure requirements contained in AASB 101 *Presentation of Financial Statements* and NZ IAS 1 *Presentation of Financial Statements* to their respective separate disclosure Standards and harmonised the disclosure requirements across both jurisdictions.

BC6 The AASB and the FRSB consider that the disclosure of audit fees is a matter of accountability and, given that the accountability environment is similar in both jurisdictions, they should have the same audit fee disclosure requirements. The Boards also took the opportunity to simplify the disclosure requirements on the basis that in recent times both preparers and users have indicated that disclosures in financial statements have become overly complex.

BC7 The AASB and FRSB noted the usefulness of the notion of 'related practice' in audit fee disclosures in AASB 101 and decided to incorporate a similar notion that is common to both jurisdictions in the harmonised disclosures. Accordingly, the Boards decided to include the notion of 'network firm' from APES 110 *Code of Ethics for Professional Accountants* issued by Accounting and Professional Ethical Standards Board (APESB) (February 2008) and *Code of Ethics: Independence in Assurance Engagements* issued by the NZICA (September 2008). The Boards also decided not to define or provide explanatory material for 'network firm' on the basis that the notion is generally understood and preparers and auditors could refer to the relevant APESB and NZICA pronouncements.

BC8 The AASB and FRSB note that disclosures are made in the context of the scope of the entity reporting. Accordingly, in the case of a group, disclosures made in accordance with paragraph 10 would include fees paid by the parent and its subsidiaries for each of the parent and its subsidiaries.

## Imputation Credits

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- BC9 The AASB and the FRSB have relocated the imputation credit disclosure requirements contained in AASB 101 and NZ IAS 12 *Income Taxes* to their respective separate disclosure Standards and to harmonise the disclosure requirements across both jurisdictions.
- BC10 The AASB and the FRSB noted that Australia and New Zealand are among a limited number of jurisdictions that have an imputation tax regime and acknowledge the decision usefulness of information about imputation credits to users of financial information. Accordingly, the AASB and the FRSB decided that these disclosure requirements should be retained.
- BC11 Given that both jurisdictions have disclosure requirements about imputation credits, and that the imputation regimes in each jurisdiction are highly similar, the Boards have harmonised the wording across both jurisdictions. The Boards also took the opportunity to simplify the disclosure requirements on the basis that in recent times both preparers and users have indicated that disclosures in financial statements have become overly complex.

## Reconciliation of Net Operating Cash Flow to Profit (Loss)

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- BC12 The AASB and the FRSB have relocated the requirement to disclose a reconciliation of net operating cash flow to profit or loss when an entity uses the direct method to present its statement of cash flows [that were contained in AASB 107 *Statement of Cash Flows* and NZ IAS 7 *Statement of Cash Flows*] to their respective separate disclosure standards and to harmonise the disclosure requirements across both jurisdictions.
- BC13 The Boards, in forming the view to retain the requirement for a reconciliation of net operating cash flow to profit or loss, acknowledged the weight of comments received on AASB ED 200B / FRSB ED 122 from constituents who opposed the proposal to remove this requirement.
- BC14 The Boards noted that the IASB has recently considered requiring a reconciliation of net operating cash flow to profit or loss in the context of its Financial Statement Presentation project.