
Summary of the major impacts of the Australian Equivalents to International Financial Reporting Standards

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Introduction

The purpose of this Paper is to provide a summary of the major impacts on agencies of the implementation of Australian Equivalents to International Financial Reporting Standards (AEIFRS).

Treasury has assessed the significant changes compared to the current Australian Standards, including those changes that have both policy and implementation impacts on the Tasmanian public sector. The assessment of policy implications includes any options within Standards and Treasury's preliminary view as to what options are likely to be mandated. As agencies are aware, Treasury currently mandates some accounting policies, for example that physical Non-current assets are measured at fair value, rather than historical cost.

The implementation of AEIFRS will require amendment of the Treasurer's Instructions, either through the Model Departmental Financial Statements, or the issuance of new guidance.

The analysis for this Summary is based upon information from several sources, including CPA Australia, other jurisdictions and the revised Australian Accounting Standards. Each agency must also make its own assessment of the impact of AEIFRS. Agencies should contact Treasury if they believe there are other significant policy or implementation issues that have not been identified.

The AEIFRS come into force from 1 January 2005. Unless otherwise stated to the contrary, the changes described in this Summary take effect from the first reporting period commencing after this date (ie from 2005-06).

In this Paper, the term "previous standards" refers to those standards that are applicable before 1 January 2005. A list of all previous standards is included at Appendix A. A full list of standards applicable from 1 January 2005 is also included at Appendix B.

The following Standards are not included within this Summary as they are either highly specialised in nature or do not vary significantly from the current Standards. Agencies should still assess these Standards and consider the impact on their agency.

Standards that will not have general impact across agencies

AASB 2	Share-based Payment
AASB 4	Insurance Contracts
AASB 5	Non-current Assets Held for Sale and Discontinued Operations
AASB 111	Construction Contracts
AASB 112	Income Taxes
AASB 114	Segment Reporting
AASB 121	The Effects of Changes in Foreign Exchange Rates
AASB 124	Related Party Disclosures
AASB 128	Investments in Associates
AASB 129	Financial Reporting in Hyperinflationary Economies
AASB 130	Disclosures in the Financial Statements of Banks and Similar Financial Institutions
AASB 131	Interests in Joint Ventures
AASB 133	Earnings per Share
AASB 140	Investment Property
AASB 141	Agriculture
AASB 1023	General Insurance Contracts

AASB 101 *Presentation of Financial Statements*

AASB 1038 Life Insurance Contracts

Standards where there is no significant change

AASB 114 Segment Reporting

AASB 134 Interim Financial Reporting

AASB 1004 Contributions

AASB 1031 Materiality

AASB 1048 Interpretation and Application of Standards

Analysis of Standards

AASB 101 Presentation of Financial Statements

Major changes

The Standard changes the names and number of statements, to comprise the following four statements, plus notes:

- Operating Statement;
- Balance Sheet;
- Cash Flow Statement; and
- Statement of Change in Equity.

Operating Statement

The Standard no longer distinguishes between ordinary and extraordinary income or expenditure in either the Operating Statement or the notes. This means there is no longer a distinction between.

Gains and losses on disposal of Non-current assets may be netted (para 34), consistent with its exclusion from AASB 118 *Revenue*. The previous AASB 1004 *Revenue*, required the gross proceeds from disposal of assets to be treated as revenue and the carrying amount of disposed assets to be treated as an expense.

Balance Sheet

The Balance Sheet may, in future, contain a mixed presentation format in certain circumstances, comprising *both* a current/non-current classification and a liquidity presentation (para 55).

AASB 101 includes additional criteria in the definition of a “current” liability (para 60). The Standard requires a liability to be classified as “current” when it is held primarily for the purposes of being traded or where the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Statement of Changes in Equity

AASB 101 permits the presentation of transactions with owners either on the face of the Statement of Changes in Equity or in the notes (para 97). The Statement shows the changes in equity between two financial periods reflecting the increase or decrease in net assets during the year. The total overall change in equity during a financial year represents the total amount of income and expenses, including gains and losses generated by an entity’s activities during the year. The exception is transactions with equity holders acting in their capacity as equity owners. These are disclosed in the Balance Sheet.

Not-for-Profit requirements

Not-for-profit entities may not be able to make an explicit and unreserved statement of compliance with AEIFRS (para Aus 14.1). There is additional material in the Australian Accounting Standards that vary the AEIFRS requirements for not-for-profit entities that, in certain instances, may conflict with AEIFRS. However, a not-for-profit entity should still make an explicit and unreserved statement of compliance with Australian Accounting Standards. This will enable the entity to utilise the first time adoption exemptions in AASB 1 “First-time Adoption of Australian Equivalents to International Financial Reporting Standards”.

Effect on Treasurer's Instructions (TIs) and Model Departmental Financial Statements

The Model Departmental Financial Statements will be revised effective from the 2005-06 reporting year to take account of the changes associated with AEIFRS. There are changes in the presentation of both the Operating Statement and the Balance Sheet.

The optional presentation of a Statement of Changes in Equity, either on the face of the statement or in notes to the statements, is likely to be mandated at that time. Model notes will also be provided for additional disclosures that may be required in relation to the fair presentation of statements, judgement regarding estimation uncertainty and the application of accounting policies. For example, where an entity concludes that compliance with a requirement in an Australian Accounting Standard would be so misleading that it would conflict with the objective of financial reports, AASB 101 requires specific disclosures to be made (para 21).

Key implementation questions

An agency will need to:

- assess the compliance of its general purpose financial statements with AEIFRS and IFRS;
- review the format of its general purpose financial statements in accordance with AEIFRS and the Model Departmental Financial Statements; and
- review its chart of accounts to ensure the information that is required can be readily provided.

AASB 102 Inventories

Major changes

The major changes associated with this Standard is the introduction of a new class of inventory “held for distribution”, the definition of which is described in more detail under the next section.

Not-for-Profit requirements

For not-for-profit entities only, AASB 102 introduces a new class of inventory, inventory “held for distribution”. AASB 102 defines inventories “held for distribution” as assets:

- (a) held for distribution at no or nominal consideration in the ordinary course of operations;
- (b) in the process of production for (a) above; and
- (c) in the form of materials or supplies to be consumed in the production process or in the rendering of services at no or nominal consideration (para Aus 6.3).

Not-for-profit entities must measure inventories held for distribution at the lower of cost and current replacement cost (para Aus 9.1). AASB 1019 *Inventories* previously required measurement at the lower of cost or net realisable value.

When inventory held for distribution is distributed, the carrying amount is expensed (Aus 34.1). For not-for-profit entities, the Standard does not apply to work in progress or services to be provided for no or nominal consideration from the recipients (para Aus 2.1).

Additional disclosures are required for “held-for-distribution” inventory (para Aus 36.1)

Effect on Treasurer’s Instructions (TIs) and Model Departmental Financial Statements

There are minor additional general disclosures, as well as specific disclosures required of Not-for-profit entities (para Aus 36.1) in respect of valuation, expensing and write-downs. The Model Departmental Financial Statements will be revised effective from the 2005-06 reporting year to take account of changes in this and other Standards through the move to AEIFRS.

Key implementation questions

Agencies should assess inventories to determine any changes in scope and measurement and impacts under AASB 102 including:

- changes where inventories previously valued at net market value under AASB 1037 *Self-generating and Regenerating Assets*, may now be subject to AASB 102 and valued at the lower of cost and net realisable value;
- assets being held in the new class of inventory “inventory held for distribution” that require appropriate measurement and disclosure; and
- assets previously subject to other Standards, and possibly measured at cost that require reclassification and recognition at the lower of cost and current replacement cost and the inclusion of additional note disclosures.

AASB 107 Cash Flow Statements

Major changes

AASB 107 provides a wider definition of cash equivalents than previously contained in AASB 1026 *Statement of Cash Flows*. Under AASB 1026 (paragraph 14.1), cash equivalents were defined as “highly liquid investments with short periods to maturity which are readily convertible to cash on hand at the investor’s option...” Effectively only “at call” deposits were included as cash equivalents.

Under AASB 107 (para 6), cash equivalents are “short-term, highly liquid investments that are readily convertible to known amounts of cash...” Therefore, items such as short-term money market investments that are convertible to cash but not at the investor’s option (ie at the purchaser’s option) are also to be recognised as cash. Consequently, more items may be considered to be cash.

Not-for-Profit requirements

AASB 107 (para Aus 20.2) retains the requirement previously contained in AAS 29 *Government Departments* (para 6.3), that not-for-profit entities that highlight the net cost of services in their Operating statements for the reporting period shall include a reconciliation of cash flows arising from operating activities to net cost of services in the notes to the financial statements.

Effect on Treasurer’s Instructions (TIs) and Model Departmental Financial Statements

The Standard contains an option to classify interest and dividends as operating, investing or financing cash flows. The classification will be mandated through the Treasurer’s Instructions (Model Departmental Financial Statements).

Key implementation questions

Agencies should assess the makeup of cash at the end of the financial year in the Cash Flow Statement. This must include all short-term money market investments that are convertible to cash as well as “at call” deposits.

AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors

Major changes

This Standard prescribes the criteria for selecting and applying accounting policies and accounting for changes in accounting policies, disclosure of changes in accounting policies, changes in accounting estimates and the correction of errors.

The Standard's main requirements include:

- voluntary changes in accounting policy to be recognised directly in equity and accounted for retrospectively, unless it is impractical to do so;
- transitional provisions for changes associated with the initial implementation of AEIFRS;
- changes in accounting estimates to be recognised in the Operating Statement and accounted for prospectively;
- prior period errors corrected by restating comparative information (unless it is impractical to do so); and
- disclosures in relation to the effect of a change in accounting policy, the effect of changes in estimates and the correction of errors.

Changes in Accounting Policy

Voluntary changes must be accounted for retrospectively by adjusting the opening balance of retained earnings for the earliest period presented and restating comparative information (para 19 and 22). Previously under AASB 1001 *Accounting Policies*, the cumulative financial effect up to the end of the preceding financial year of a voluntary change in accounting policy was recognised as a revenue or expense in the financial year in which the change was made; and comparative information on the face of the financial statements was not restated.

Transitional provisions of new Standards generally require retrospective treatment by adjusting the opening balance of retained earnings for the earliest period presented and restating comparative information, unless otherwise required (e.g. financial instruments). Previously, accounting policies arising from new Standards were generally applied from the beginning of the reporting period to which the new Standard first applied by adjusting opening retained earnings, and comparative information on the face of the financial statements was not restated.

Correction of Errors

AASB 108 does not distinguish between fundamental errors and other errors. All errors are to be corrected retrospectively by restating comparative information or, if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest period presented (para 42). Previously AASB 1018 *Statement of Financial Performance* permitted either the erroneous financial report to be reissued or required corrections to be included in profit or loss for the period in which the error was discovered; and prohibited the restatement of comparative information on the face of the financial statements.

Revisions in estimates are treated prospectively under both AASB 108 and AASB 1018.

Not-for-Profit requirements

There are no specific not-for-profit issues in this Standard.

Effect on Treasurer's Instructions (TIs) and Model Departmental Financial Statements

This Standard requires note disclosure of the affect of Standards that do not yet apply. This is similar to the note disclosure requirements under AASB 1047 *Disclosing the Impacts of Adopting AEIFRS*. The Model Departmental Financial Statements will be changed to reflect this additional disclosure requirement together with other reporting changes such as the reporting of errors.

Key implementation questions

Agencies should assess which accounting policies within their agency will change with the implementation of AEIFRS.

AASB 110 Events After the Balance Sheet Date

Major changes

This Standard prescribes the accounting treatment applicable to events that occur after the reporting date.

Adjusting Event After the Reporting Date

AASB 110 requires that an entity takes one or more of the following steps to reflect an event that provides further evidence of conditions that existed at the reporting date:

- adjust the amounts recognised in its financial statements;
- recognise items that were not previously recognised; and
- update the disclosures in its financial report.

Non-Adjusting Events After the Reporting Date

AASB 110 prohibits adjustments to the amounts recognised in the financial statements or updates to the disclosures as at the reporting date in relation to an event that is indicative of conditions that arose after the reporting date. AASB 110 requires the following disclosures for each material non-adjusting event:

- the nature of the event; and
- an estimate of its financial effect; or
- a statement that such an estimate cannot be made.

Dividends declared after the reporting date, but before the date when the financial report will issue, cannot be recognised as a liability in the financial statements. They are disclosed in the notes in accordance with AASB 101 *Presentation of Financial Statements*. In Tasmania, dividends are currently recognised in the period in which they are declared. Therefore, the introduction of this Standard should have no significant impact.

Not-for-Profit requirements

There are no specific not-for-profit issues in this Standard.

Effect on Treasurer's Instructions (TIs) and Model Departmental Financial Statements

The Model Departmental Financial Statements will be revised effective from the 2005-06 reporting year to take account of changes in this and other Standards through the move to AEIFRS.

Key implementation questions

No implementation issues associated with this Standard have been identified.

AASB 116 Property, Plant and Equipment

Major changes

Recognition

The asset recognition principles are used to evaluate both initial costs and subsequent costs (AASB 116 para 13). Previously, AASB 1021 *Depreciation* (para 5.7) used different recognition criteria for subsequent expenditures based on whether they added to the future economic benefits “in excess of the originally assessed Standard of performance of the existing assets.”

Property, plant and equipment acquired for safety or environment reasons are assets because they enable an entity to derive additional economic benefits from related assets (para 11). Previously, Australian GAAP did not address this issue.

Measurement

- Cost under AASB 116 differs from cost as measured previously under AASB 1041 *Revaluation of Non-Current Assets*. AASB 116 contains new treatments for restoration costs, major inspection costs, government grants and borrowing costs.
- Restoration Costs: Cost includes the initial estimate for dismantling, removing and restoring an asset, arising from both:
 - an obligation incurred as a consequence of installing the item; and
 - an obligation incurred as a consequence of using the item during a particular period (para 16(c)).
- Major inspections (para 14):
 - the cost of major inspections for faults is recognised in the carrying amount of an asset as a replacement, if the recognition criteria are satisfied;
 - the remaining carrying amount of the previous inspection is derecognised; and
 - the estimated cost of a future inspection may be used to estimate the cost of the inspection component when the item was acquired or constructed.
- Cost of acquisition of property, plant and equipment in exchange for non-monetary assets or in combination with monetary assets is measured at fair value, unless either the transaction lacks commercial substance or neither the fair value of assets received nor given up is reliably measurable (para 24).
- Previously, AASB 1015 *Acquisition of Assets* assumed that fair value could always be measured.

Fair Value

- Assets may be measured at fair value “where fair value can be reliably measured” (para 31).
- Fair value is determined by using:
 - market-based evidence; or
 - an income or depreciated cost approach (paras 32-33).
- On revaluation, either the “gross restatement” or the “net amount” method (where accumulated depreciation is eliminated) may be used (para 35). Conversely, AASB 1041 allowed the gross restatement method only where assets are valued by reference to values of assets newer than those being revalued.

Not-for-Profit requirements

For-profit entities must account for revaluation reserve balances on an individual asset basis. This is a change from AASB 1041 which permits the “class of asset” approach. However, not-for-profit entities may continue to use the class of asset approach (para 39 and 40).

Effect on Treasurer’s Instructions (TIs) and Model Departmental Financial Statements

TI 912 *Valuation and Revaluation of Non-current Assets* requires land, buildings, infrastructure, heritage and cultural assets to be valued at fair value. Treasurer’s Instructions will be revised to address the treatment of accumulated depreciation when property, plant and equipment is revalued and the transfer of asset revaluation reserves to retained profits.

In order to determine the fair value of those Non-current assets within a class of Non-current assets currently transitioning to fair value, agencies need to retrospectively determine the 1 July 2004 fair value for those classes of non-current assets. Treasury, in conjunction with the Tasmanian Audit Office, will develop practical guidance for such retrospective valuations.

Key implementation questions

Agencies will need to identify those assets still transitioning to fair value, and ensure that fair values can be obtained for AEIFRS reporting. Retrospective valuations will be required for 1 July 2004 balances.

AASB 117 Leases

Major changes

This Standard prescribes the classification and treatment of leases by the lessor and lessee. The Standard continues to require leases to be classified as either an operating or a financing lease, based on the extent to which risks and rewards incidental to ownership of a leased asset are transferred from the lessor to the lessee.

AASB 117 retains the principle of “substance over form” and the conclusive test of “transfer of substantially all the risks and benefits” for classifying a lease as a finance lease. It also retains the qualitative indicative tests of “the present value of the lease payments amounts to substantially all of the fair value of the asset” and “the major part of the economic life of the leased asset”. However, the quantitative indicators (90 per cent of the fair value and 75 per cent of the useful life) that were previously in AASB 1008 *Leases* (para 5.3.4(b)) have been omitted.

Under AASB 117, lease rent and contingent rent are both recognised on a straight-line basis over the lease term unless another basis is more representative of the pattern of services rendered (paras 33 and 50). Previously, under AASB 1008, minimum lease payments were allocated on a basis representative of the pattern of service rendered (para 13.2) and contingent rentals were recognised in the period incurred (para 8.1).

The classification of leases is effectively the same as under the previous Standards. However, the review of embedded derivatives required under AASB 139 *Financial Instruments: Recognition and Measurement* may require a change in the classification of a lease instrument.

Assets and liabilities associated with finance leases must be recognised by the lessee at the lower of the fair value of the leased property or the present value of the minimum lease payments. Minimum lease payments under a finance lease are apportioned between an interest charge and reduction of the outstanding liability.

Operating leases are recognised as an expense by the lessee.

Finance leases must be recognised as an asset by the lessor and income is recognised periodically over the term of the lease.

A number of disclosures by the lessee and lessor are required in relation to both operating and finance leases.

Not-for-Profit requirements

There are no specific not-for-profit issues in this Standard.

Effect on Treasurer’s Instructions (TIs) and Model Departmental Financial Statements

The Model Departmental Financial Statements will be revised effective from the 2005-06 reporting year to take account of changes in this and other Standards through the move to AEIFRS.

The current quantitative tests will be included in revised Treasurer’s Instructions to guide the classification of current and future lease agreements.

Key implementation questions

Agencies should assess their lease agreements for embedded derivatives. Where a material embedded derivative is identified, the lease may need to be reclassified.

Where a lease is reclassified as a finance lease due to AEIFRS changes, agencies should seek an exemption from Treasurer's Instruction 1016 *Finance Proposals*.

AASB 118 Revenue

Major changes

This Standard prescribes the accounting treatment of revenue arising from certain types of transactions and events.

The AEIFRS *Framework* and AASB 118 makes a distinction between “revenue” and “income”, with income comprising both “revenue” and “gains”. “Income” is defined consistently with the previous AASB 1004 *Revenue* definition of “revenue”. “Revenue” is “income” arising in the “course of the ordinary activities of an entity” (para 7) and is therefore a narrower concept compared to AASB 1004. “Gains” include, for example, those arising on the disposal of non-current assets.

AASB 118 only applies to “revenue” arising from the sale of goods, the rendering of services and the use by others of assets yielding interest, royalties and dividends. Unlike the previous AASB 1004, AASB 118 does not address gains on disposal of assets, contributions of assets and forgiveness of liabilities.

Recognition criteria

Sale of goods

AASB 118 requires that revenue must be recognised when (para 14):

- the entity has transferred to the buyer significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Previously, AASB 1004 referred only to “control” i.e. “benefits” (or rewards) of ownership not risks. Therefore, revenue recognition could be deferred where the capacity to benefit from the asset passes to the buyer but the risks of ownership are not transferred.

Unlike AASB 1004, AASB 118 (para 20) does not require an entity to control a right to be compensated for services rendered nor does it require the amount of revenue to be measured reliably. This may result in earlier revenue recognition, where control of a right to be compensated arises after the rendering of services. AASB 118 also contains an additional requirement that the costs incurred for the transaction and the costs to complete be measured reliably.

Disposal of Assets

This is not addressed in AASB 118. However, other AEIFRS, including AASB 116 *Property, Plant and Equipment*, AASB 138 *Intangible Assets*, AASB 139 *Financial Instruments: Recognition and Measurement* and AASB 140 *Investment Property*, require the gain or loss on disposal to be recognised on a net basis as income or an expense.

Gains or losses are usually displayed separately from revenue and other expenses in the Operating Statement (Framework, para 76 and 80). Previously, AASB 1004 required the fair value of the consideration received from the disposal of assets to be recognised as revenue and the carrying amount as an expense.

Not-for-Profit requirements

There are no specific not-for-profit issues in this Standard.

Effect on Treasurer's Instructions (TIs) and Model Departmental Financial Statements

The Model Departmental Financial Statements will be revised effective from the 2005-06 reporting year to take account of changes in this and other Standards through the move to AEIFRS.

Key implementation questions

Agencies will need to review their revenue recognition policies, particularly in relation to sale of goods and present the gain or loss on disposal of property, plant and equipment etc on a net rather than gross basis.

AASB 119 Employee Benefits

Major changes

AASB 119 addresses the broad categories of employee benefits arising from short-term employee benefits (payable within 12 months), post-employment benefits (payable after the completion of employment), other long-term employee benefits (payable later than 12 months) and termination benefits.

AASB 119 differs from the previous AASB 1028 *Employee Benefits* in the following key areas:

- AASB 119 generally applies to all employee benefits provided by an employer (entity) including post-employment benefits (particularly recognition, measurement and disclosures concerning defined benefit superannuation plans);
- short term employee benefits, such as wages and salaries, annual leave, sick leave and non-monetary benefits, are to be measured at present value rather than at nominal amounts. Where the leave does not fall due within 12 months, there is a change from valuation at nominal amounts to present value; and
- long term employee benefits are to be valued at present value.

Not-for-Profit requirements

There are no specific not-for-profit issues in this Standard.

Effect on Treasurer's Instructions (TIs) and Model Departmental Financial Statements

For agencies, there will be no financial reporting impact on reporting superannuation liabilities which have been assumed by the Treasurer and are reported through Finance-General.

The Finance-General Division recognises superannuation liabilities in its Balance Sheet and will be subject to the additional financial reporting requirements.

The Model Departmental Financial Statements will be updated to reflect the applicable reporting requirements of AASB 119.

Key implementation questions

Agencies should identify employee benefits that are payable in 12 months or more.

AASB 120 Accounting for Government Grants and Disclosure of Government Assistance

Major changes

There are significant differences in the recognition requirement between the previous AASB 1018 *Revenue* and AASB 120, that are applicable to grants from government to for-profit entities.

The recognition criteria under AASB 120 applicable to grants received by for-profit entities are:

- a grant is to be recognised only once there is reasonable assurance that the entity will comply with any conditions and the grant will be received;
- a grant is to be recognised as income over the periods necessary to match the related costs;
- a grant that becomes receivable for expenses or losses already incurred or for immediate financial support with no future related costs is recognised as income when receivable; and
- grants related to assets (a defined term) are treated as deferred income and recognised as income on a systematic and rational basis over the useful life of the asset.

Not-for-Profit requirements

AASB 120 applies to grants from government to for-profit entities. Accordingly, this Standard has limited application to not-for-profit entities.

Grants received by not for profit entities including agencies will continue to be subject to AASB 1004 *Contributions*. Currently, government grants are recognised when the entity gains control of the grant or the right to receive the grant.

Future accounting for grants will be dependent upon the outcome of the current review of IAS 20 *Accounting for Government Grants*

Agencies should also consider the grant reporting principles and requirements proposed for local government under ED 125 *Financial Reporting by Local Governments*. Similar requirements are likely to apply to other government sectors as a result of the review of AAS 29 *Financial Reporting by Government Departments*.

Effect on Treasurer's Instructions (TIs) and Model Departmental Financial Statements

No changes to the Treasurer's Instructions and Model Departmental Financial Statements arising from this Standard are likely until after the review of IAS 20 *Accounting for Government Grants* is completed.

Key implementation questions

Agencies should consider the impact of this Standard on the financial results of any for-profit grant recipients.

AASB 123 Borrowing Costs

Major changes

This Standard prescribes the accounting treatment for borrowing costs. Generally, immediate expensing of borrowing costs is required. However, capitalisation of borrowing costs is an allowed alternative where the costs are directly attributable to the acquisition, construction or production of a qualifying asset.

The primary difference between AASB 123 and the former AASB 1036 *Borrowing Costs* is that a choice between expensing and capitalising borrowing costs is permitted. Previously, capitalisation was required for qualifying assets.

Not-for-Profit requirements

There are no specific not-for-profit issues in this Standard.

Effect on Treasurer's Instructions (TIs) and Model Departmental Financial Statements

It is likely that Treasury will mandate expensing of all borrowing costs for agencies as part of the GAAP-GFS Harmonisation Project.

Key implementation questions

Agencies should assess whether any borrowing costs are currently being capitalised.

AASB 127 Consolidated and Separate Financial Statements

Major changes

This Standard prescribes the circumstances in which a parent is required to prepare Consolidated Financial Statements and the rules for the preparation of the statements. It also prescribes rules for the preparation of separate Financial Statements of a parent and prescribes disclosure requirements in respect of investments in subsidiaries.

Consolidated financial statements are required where a parent entity controls subsidiary entities. Control exists when the parent controls more than half the voting power of an entity, when the parent has the power to govern the financial and operating policies of the entity or when the power to determine the board of directors exists.

In the public sector, the existence of control might be specified by legislative or executive authority or by administrative arrangements.

The major changes arising from this Standard are:

- control is consistently defined;
- financial statements of a subsidiary used for consolidation must be prepared as at the same date as the parent entity. If this is not practicable, the subsidiary's statements can be prepared at a different date, with adjustments made for significant transactions. The time difference can be no more than three months; and
- excess accumulated losses over equity must be adjusted against parent ownership unless the minority interest has a binding obligation to make good the losses.

Not-for-Profit requirements

There are no specific not-for-profit issues in this Standard.

Effect on Treasurer's Instructions (TIs) and Model Departmental Financial Statements

There are no issues in this Standard that will impact upon the Treasurer's Instructions or Model Departmental Financial Statements.

Key implementation questions

Agencies should review their current reporting entity structure and consider whether there are any controlled entities which should be consolidated within their financial statements.

AASB 132 Financial Instruments: Disclosure and Presentation

Major changes

The Standard prohibits offsetting a financial asset and financial liability when financial assets are set aside in trust by a debtor for the purposes of discharging an obligation, without assets having been accepted by the creditor in settlement of the obligation (para 49(d)). Previously, AASB 1014 *Set-Off and Extinguishment of Debt*, required debt to be extinguished when it was subject to an in-substance defeasance.

The Standard requires disclosure of “fair value” information (para 86). This includes transaction costs. Previously under AASB 1033 *Presentation and Disclosure of Financial Instruments* disclosure was on the basis of “net fair value” (that is, net of transaction costs).

The Standard provides for a number of additional disclosures:

- material items of income, expense and gains and losses resulting from financial assets and financial liabilities, whether included in profit or loss or as a separate component of equity (para 94(h));
- information about the use of valuation techniques, including sensitivities of fair value estimates to significant valuation assumptions (para 92). Where fair value cannot be reliably measured, this must be disclosed, along with a description, carrying value, explanation why it may not be reliably measured and a range of estimates;
- carrying amount of financial assets and financial liabilities classified as “held for trading” and those designated by the entity upon initial recognition as financial assets and financial liabilities at fair value through profit or loss (para 94(e)); and
- the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is not attributable to changes in a benchmark interest rate (para 94(f)).

The Standard also requires that any asset and liability components of a compound financial instrument must be separated first and the residual is the amount of any equity component (para 31). AASB 1033 did not prescribe any particular method for assigning a carrying amount of the liability and equity components.

Not-for-Profit requirements

There are no specific not-for-profit issues in this Standard.

Effect on Treasurer’s Instructions (TIs) and Model Departmental Financial Statements

The Treasurer’s Instructions will be amended to remove the requirement to restate comparatives in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* and AASB 132, on first-time adoption.

The Model Departmental Financial Statements will be revised effective from the 2005-06 reporting year to take account of changes in this and other Standards through the move to AEIFRS.

Key implementation questions

Agencies that hold complex financial instruments may have additional implementation issues and may need to obtain specialist advice to further assess the impact of this Standard.

AASB 136 Impairment of Assets

Major changes

Scope

Accounting Standard AASB 136 applies to both current and Non-current assets, assets at fair value and all reporting entities. The inclusion of assets at fair value is a significant change from the previous Standard AASB 1010 *Recoverable Amount of Non-Current Assets*.

Impairment Test

AASB 136 requires entities to make an assessment at each reporting date as to whether there is any indication that an asset is impaired. If any indication exists, the entity must estimate the recoverable amount. Where the carrying amount of an asset or cash-generating unit exceeds the recoverable amount of that asset or cash-generating unit, the asset or cash-generating unit must be written-down to its recoverable amount. In assessing whether there is any indication that an asset may be impaired, AASB 136 states the minimum external and internal indications that must be considered. For example:

- a decline in market value of the asset;
- changes in the technological, market, economic or legal environment in which the entity operates; and
- evidence that the asset is obsolete or has been damaged.

Irrespective of whether there is any indication of impairment, an entity must estimate the recoverable amount during the reporting period (at the same time each year) for intangible assets with an indefinite useful life and those not yet available for use (paragraphs 10 and 24). Goodwill acquired in business combinations must be tested for impairment annually and whenever there is an indication of impairment.

Previously AAS 10 *Recoverable Amount of Non-Current Assets* required that a non-current asset be written down to its recoverable amount when its carrying amount was greater than its recoverable amount.

Recoverable Amount

AASB 136 contains different definitions of recoverable amount for for-profit and not-for-profit entities. AASB 1010 previously contained a single definition of recoverable amount as the net amount that is expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal (discounting of future cash flows is not a requirement).

The definition of recoverable amount within AASB 136 applicable to for-profit entities is the higher of fair value less selling costs and value in use. Fair value less selling costs is defined as “the amount obtainable from the sale of an asset or cash-generating unit in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal”. That is, market value less selling costs. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. The requirement to discount the cash flows is the key difference between the current and the new requirements.

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The concept of a cash-generating unit is difficult to apply to the General Government Sector (GGS) where cash flows are not generally earned from the use of assets

In the GGS, there should be few, if any, units where cash is generated as a result of arms length transactions. Where cash-generating units exist, it is likely that they will be performing a number of functions, some of which do not involve the generation of cash. It is also generally true, that in the GGS, services are provided at costs which are determined by policy considerations rather than by market forces e.g. it is possible for a number of different services to be provided by a single cash-generating unit at no cost, nominal cost or on a cost recovery basis, in addition to performing other unrelated activities.

The definition of replacement value for not-for-profit entities is explained under the *Not-for-Profit Requirements* section below.

Accounting for Impairment Losses

AASB 1010 previously did not apply to revalued assets (assets at fair value), a write-down was recognised as an expense.

AASB 136 requires an impairment loss on a non-revalued asset to be recognised as an expense and an impairment loss on an asset revalued in accordance with another Standard to be treated as a revaluation decrease in accordance with that Standard. If the loss exceeds the revaluation reserve, the balance is recognised as an expense. With respect to property, plant and equipment, for-profit entities can only offset a revaluation decrease against the revaluation reserve for that asset. Not-for-profit entities may offset a revaluation decrease against the revaluation reserve for that class of asset.

AASB 1010 did not require entities to reassess previous recoverable amount write-downs.

AASB 136 requires entities to make an assessment at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets (other than goodwill) may no longer exist or may have decreased. If any indication exists, the entity must estimate the recoverable amount. The Standard states the minimum external and internal indications that must be considered in reassessing whether a previous impairment loss may no longer exist or is reduced.

Where the recoverable amount is measured and the impairment loss no longer exists or has decreased, an impairment loss shall be reversed only if there has been a change in estimates used to determine the asset's recoverable amount since the last impairment loss was recognised (paragraph 114). A reversal of an impairment loss cannot exceed previous impairment losses for that asset (less adjustment for depreciation). Any increase in the carrying amount above the amount that would have been determined had no impairment losses been recognised, is a revaluation (paragraph 117).

Not-for-Profit requirements

AASB 136 *Impairment of Assets* (para Aus 6.1) defines value in use for not-for-profit entities as depreciated replacement cost where the primary future economic benefits of the asset are not primarily dependent on the generation of cash flows. Depreciated replacement cost is the written-down current replacement cost of an asset (para Aus 6.2).

This definition of value in use applies only to those assets where the future economic benefits are not primarily dependent on an asset's ability to generate net cash inflows and the entity would replace the remaining future economic benefits if it were deprived of the asset. For the purposes of applying this Standard, agencies are to assume that the remaining future economic benefits of an asset would be replaced unless the asset has been identified as surplus. Where these conditions are met, recoverable amount is the higher of fair value less selling costs and depreciated replacement cost.

Assets of not-for-profit entities are subject to the for-profit value in use definition (the present value of future cash flows) for surplus assets and any assets held primarily to generate net cash inflows.

Effect on Treasurer's Instructions (TIs) and Model Departmental Financial Statements

The current requirements in the Australian Accounting Standards (AAS) and Treasurer's Instructions are consistent with the impairment requirements in AEIFRS. The Treasurer's Instructions will be amended to update references to AAS and other changes to terminology.

Treasury and the Tasmanian Audit Office, in consultation with agencies, will develop additional guidance in respect of impairment characteristics and principles for inclusion in the Treasurer's Instructions.

As a general principle, cash-generating units should not be used as a basis for determining fair value in the General Government Sector (GGS). There is unlikely to be any assets within the GGS where the primary purpose is the generation of cash flows. As a result, depreciated replacement cost will be used, as it provides a more reliable measure of fair value.

Agencies should also assume that the remaining future economic benefits of an asset would be replaced unless the asset has been identified as surplus.

Key implementation questions

Agencies will need to assess all assets covered by AASB 136 for indicators of impairment as at 1 July 2004 to ensure that the opening balances of all such assets are valued in accordance with the requirements of AASB 1 and AASB 136. The previous requirements in AAS 10 and the Treasurer's Instructions are consistent with the impairment requirements in AASB 136. Accordingly, there should not be a significant impact.

AASB 137 Provisions, Contingent Liabilities and Contingent Assets

Major changes

Contingent Assets and Recoveries Receivable

In relation to the recognition of contingent assets and recoveries receivable, AASB 137 adopts a prudent approach and requires an asset to be recognised when the related realisation of revenue or expected recovery receivable is virtually certain. Previously, AASB 1044 *Provisions, Contingent Liabilities and Contingent Assets* recognised assets when the realisation and expected recovery were probable.

AASB 137 (para 89) requires disclosure of contingent assets when realisation of revenue is probable. AASB 1044 required disclosure when the likelihood of inflow of economic benefits was higher than remote, but not probable.

By way of contrast, AASB 137 (para 28 and 30) requires recognition of liabilities when outflows of resources are probable. Liabilities are to be disclosed when the likelihood of outflows is higher than remote but less than probable.

AASB 137 contains the requirements to report provisions related to the retirement or disposal of long-lived assets that were not contained in AASB 1044. These obligations may be legal or constructive (para 17) and relate only to obligations arising from past events (i.e. an obligating event) existing independently of an entity's future actions (para 19).

Other Requirements

AASB 137 (para 60) provides that where discounting is used, the increase in the carrying amount of the provision due to the passage of time must be recognised as a borrowing cost. Previously, AASB 1044 *Provisions, Contingent Liabilities and Contingent Assets* did not treat this increase as interest.

AASB 137 (para 78) provides that where an operation is to be sold, a provision for restructuring can only arise where there is a binding sale agreement. In contrast, AASB 1044 allowed a provision for restructuring even though there was no binding sale agreement, provided there was no realistic alternative to proceeding with the restructuring.

Unlike AASB 1044, AASB 137 does not specifically address off setting related assets from expected third party recoveries, where there is a legal right of set-off, against provisions.

AASB 137 (para 84-85) contains the disclosure requirements for each class of provision, namely:

- the expected timing of outflows of economic benefits;
- any uncertainties about the timing of those outflows; and
- the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate.

Not-for-Profit requirements

There are no specific not-for-profit issues in this Standard.

Effect on Treasurer's Instructions (TIs) and Model Departmental Financial Statements

The Standard contains an option to classify interest and dividends as operating, investing or financing cash flows. The classification will be described within the Model Departmental Financial Statements.

Key implementation questions

Agencies should review all provisions and contingencies in accordance with the requirements of the new Standard.

AASB 138 Intangible Assets

Major changes

AASB 138 defines an intangible asset as being an identifiable non-monetary asset without physical substance. The definition includes computer software. AASB 138 divides internally generated intangibles into two categories:

- the research phase; and
- the development phase.

Under AASB 138, costs related to the research phase are expenses whereas costs in the development phase can be capitalised where additional criteria are met. Previously, research costs could be capitalised in limited circumstances. Similarly, some development costs that previously could be capitalised now have to be expensed. Costs recognised as an expense cannot subsequently be capitalised.

AASB 138 allows the measurement of intangible assets subsequent to initial recognition on a cost or revaluation basis. However, AASB 138 only allows the revaluation basis where there is an “active market”, and this will occur only in rare circumstances. Previously, there was no such restriction.

AASB 138 requires the amortisation of intangible assets on a systematic basis over its useful life, after deducting the residual value. The residual value of an intangible asset with a finite life is assumed to be zero, except in limited circumstances. Previously, a residual value other than zero was permitted.

AASB 138 prohibits the recognition of Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance. Previously, there was no such prohibition.

Not-for-Profit requirements

There are no specific not-for-profit issues in this Standard.

Effect on Treasurer’s Instructions (TIs) and Model Departmental Financial Statements

Computer software is likely to be the only material intangible asset held by agencies.

A new Treasurer’s Instruction is being developed to provide additional guidance on the recognition, measurement, and amortisation of software, being the major intangible asset of government. The Standard contains an option to classify interest and dividends as operating, investing or financing cash flows.

The Model Departmental Financial Statements will be amended to take into account the changed disclosure requirements relating to intangible assets. AASB 138 has extensive disclosure requirements.

Key implementation questions

Each agency should review whether it holds any material intangible assets, paying particular attention to computer software. If an agency is proposing to undertake material software development in 2004-05 and beyond, it should consider how it will recognise, measure and amortise such assets.

AASB 139 Financial Instruments: Recognition and Measurement

Major Changes

There is no previous comparable Standard. AASB 139 is complex and this summary deals only with components of general interest, namely recognition, valuation and derecognition, embedded derivatives and impairment.

Recognition and Valuation

AASB 139 requires the recognition and valuation of financial instruments. Financial assets and liabilities includes assets and liabilities:

- held for trading;
- held-to-maturity investments;
- loans and receivables;
- available-for-sale financial assets;
- financial liabilities (not at fair value through profit or loss); and
- under specified circumstances, embedded derivatives are separated from the host contracts and accounted for as derivatives separate from the host contract.

Under AASB 139, an entity, on initial recognition, must categorise all financial instruments as either financial assets or financial liabilities:

- valued at fair value. This category consists of two sub-categories:
 - financial instruments held for trading; and
 - financial instruments designated as at fair value through profit or loss.
- valued at amortised cost using the effective interest method. This equates to fair value on initial recognition.

On initial recognition, a financial asset or financial liability at fair value through profit or loss is measured at fair value. All other financial instruments are measured at fair value plus transaction costs directly attributable to the acquisition or issue of the financial asset or financial liability.

AASB 139 contains restrictions on the reclassification of financial instruments between the two valuation methods.

After initial recognition:

- financial assets or financial liabilities at fair value through profit or loss are measured at fair value without any deduction for expected transaction costs on disposal and the change in fair value is recognised in profit or loss;
- held-to-maturity investments are measured at amortised cost using the effective interest method, with interest and impairment costs being recognised in profit or loss;
- loans and receivables are measured at amortised cost using the effective interest method, with interest and impairment costs being recognised in profit or loss;
- available-for-sale financial assets are measured at fair value without any deduction for expected transaction costs on disposal and the change in fair value is recognised directly in equity;
- financial liabilities that are not at fair value through profit or loss are measured at amortised cost using the effective interest method (except when settlement is by delivery of an unquoted equity

instrument or the financial liability arises on the transfer of an asset that does not qualify for derecognition);

- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives linked to and settled by delivery of such equity instruments, are measured at cost;
- financial assets and financial liabilities designated as hedged items are subject to measurement under the hedge accounting requirements; and
- other financial liabilities are measured at amortised cost.

Embedded Derivatives

An embedded derivative is a component of a financial instrument, or other contractual agreement, that affects some of the cash flows of the host contract. Embedded derivatives cause some, or all, of the cash flows that would otherwise be required by the host contract to be modified according to a specified variable, such as an interest rate, a foreign currency, or a commodity price.

Examples of embedded derivatives include: lease contracts incorporating a term extension or early extension options or a currency risk element; supply agreements which incorporate a clause for a fixed price, a price increase or for a currency risk element; loan assets or liabilities which incorporate conversion, term extensions or prepayment options, interest rate agreements or currency risk elements.

Embedded derivatives should be classified as financial assets or liabilities and measured at fair value (unless designated as a hedging instrument).

Embedded derivatives are most likely to be identified in agencies through service contracts and supply agreements. In particular, those contracts or agreements that include options to extend at a fixed price or price increase. Such contracts or agreements are likely to be currently disclosed in the financial statements as a contingent asset or liability.

Impairment

AASB 139 distinguishes impairment from other declines in value and requires impairment testing of all asset categories except financial assets measured at fair value through profit or loss (however, this exception does not apply to an investment in an equity instrument that was initially categorised as a financial asset at fair value through profit or loss and is subsequently measured at cost). Financial assets are assessed for impairment at each reporting date.

The amount of the impairment loss is recognised in profit or loss and measured as:

- for receivables or held-to-maturity investments carried at amortised cost, the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). These impairment losses are to be tested subsequently for reversal;
- for an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed;
- for available-for-sale financial assets where a decline in the fair value has been recognised directly in equity, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss even though the financial asset has not been derecognised to the extent of the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Such impairment losses are not reversed through profit or loss.

However, if in a subsequent period the fair value of a debt instrument classified as available for sale increases because of an event occurring after the impairment loss was recognised, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss.

Not-for-Profit requirements

There are no specific not-for-profit issues in this Standard.

Effect on Treasurer's Instructions (TIs) and Model Departmental Financial Statements

The bulk of requirements under AASB 139 relate to complex financial instruments that are unlikely to be held by agencies.

The GAAP-GFS harmonisation process will require most financial instruments to be designated as fair value through the profit or loss. This option will not be mandated through the Treasurer's Instructions until the GAAP-GFS Harmonisation Project is completed.

The Treasurer's Instructions will be amended to allow agencies not to restate comparatives in accordance with AASB 139 and AASB 132 on first-time adoption.

The Model Departmental Financial Statements will be revised effective from the 2005-06 reporting year to take account of changes in this and other Standards through the move to AEIFRS.

Key implementation questions

Agencies will need to:

- review all contracts, lease agreements to determine whether there are any embedded derivatives or financial instruments that should be recognised on the Balance Sheet;
- review all financial instruments and classify taking into consideration current valuation methods; and
- undertake an impairment test at the date of transition to determine whether there has been any impairment. Provisions for doubtful debts will need to be supported by impairment evidence.

AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

Summary of Standard

Entities adopting AEIFRS for the first time, by an explicit and unreserved statement of compliance, must follow the requirements in AASB 1 instead of the transition provisions in the other AEIFRS.

Tasmanian General Government Sector (GGS) entities will apply this Standard for the financial year ending 30 June 2006. The 2004-05 comparatives contained in the first AEIFRS financial statements need to be restated to comply with the AEIFRS. The 1 July 2004 opening Balance Sheet will be the starting point for the restatement.

The main requirements of AASB 1 are that the entity:

- fully comply with all AEIFRS, subject to the limited exemptions allowed under AASB 1;
- prepare an opening Balance Sheet complying with the AEIFRS; and
- disclose the impact of adopting AEIFRS on the financial performance, financial position and cash flows of the entity.

Major requirements

Accounting Policies

AASB 1 requires the accounting policies to be consistently applied throughout all the reported years in the entity's first AEIFRS financial statements, for 1 July 2004, 30 June 2005 and 20 June 2006. This means the entity must use the AEIFRS effective at 30 June 2006 when preparing its 1 July 2004 opening Balance Sheet.

Entities will restate their 1 July 2004 Balance Sheets based on the applicable AEIFRS. If at a later date, changes are made to the AEIFRS, effective for 30 June 2006, retrospective adjustments will be required.

Adjustments to the carrying amount of items in the 1 July 2004 opening Balance Sheet can be recognised as a direct adjustment to equity rather than in the Operating Statement. Adjustments may be required to:

- recognise all assets and liabilities required by AEIFRS;
- de-recognise assets and liabilities that are not given recognition under AEIFRS;
- reclassify assets, liabilities and equity where there is a change in classification between Australian GAAP and AEIFRS; and
- apply AEIFRS principles in measuring all recognised assets and liabilities.

Exemptions

AASB 1 provides two categories of exemption when using AEIFRS to calculate an entity's 1 July 2004 opening Balance Sheet:

- the option of not following certain accounting treatments specified in individual AEIFRS eg valuation of property, plant and equipment; and

- a prohibition on retrospectively applying certain accounting treatments specified in individual AEIFRS.

Estimates

AEIFRS estimates shall be consistent with the estimates used under Australian GAAP, after adjusting for any differences in accounting policy. The exception to this rule is where there is evidence that an estimate under Australian GAAP was in error. In summary, an entity must not retrospectively change Australian GAAP estimates to reflect new information ie there is to be no benefit from hindsight.

Effect on Treasurer's Instructions (TIs) and Model Departmental Financial Statements

Treasury will be issuing Treasurer's Instructions that mandate which options available under AEIFRS are to be adopted across the GGS. The Model Departmental Financial Statements will be revised effective from the 2005-06 reporting year to take account of the requirements of this Standard. In summary, agencies will have to provide:

- a reconciliation of the 2004-05 result under Australian GAAP and AEIFRS;
- a reconciliation of the equity reported under Australian GAAP and AEIFRS at both 1 July 2004 and 30 June 2005;
- explanations of major adjustments made to the Balance Sheet, Operating Statement and Cash Flow Statement in adopting AEIFRS for the first time; and
- explanations of any AASB 1 exemptions that have been used.

Key implementation questions

Agencies will need to become familiar with the first time adoption requirements to prepare an opening Balance Sheet as at 1 July 2004 based on AEIFRS requirements.

As part of this process, the Tasmanian Audit Office intends to audit each GGS entity's 1 July 2004 opening Balance Sheet, restated on an AEIFRS basis, by 30 April 2005. The 2004-05 financial statements restated on an AEIFRS basis will also need to be audited by 30 April 2006.

Previous Australian Accounting Standards (applicable before 1 January 2005)

AAS 2	Inventories	AAS 27A	Amendments to the Transitional Provisions in AAS 27
AAS 3	Income Taxes	AAS 28	Statement of Cash Flows
AAS 4	Depreciation	AAS 29	Financial Reporting by Government Departments
AAS 5	Materiality	AAS 29A	Amendments to the Transitional Provisions in AAS 29
AAS 6	Accounting Policies	AAS 31	Financial Reporting by Governments
AAS 7	Accounting for the Extractive Industries	AAS 31A	Amendments to the Transitional Provisions in AAS 31
AAS 8	Events Occurring After Reporting Date	AAS 32	Specific Disclosures by Financial Institutions
AAS 10	Recoverable Amount of Non-Current Assets	AAS 33	Presentation and Disclosure of Financial Instruments
AAS 11	Construction Contracts	AAS 34	Borrowing Costs
AAS 13	Accounting for Research and Development Costs	AAS 35	Self-Generating and Regenerating Assets
AAS 14	Accounting for Investments in Associates	AAS 35A	Amendments to Australian Accounting Standards AAS 35
AAS 15	Revenue	AAS 36	Statement of Financial Position
AAS 16	Financial Reporting by Segments	AAS 37	Financial Report Presentation and Disclosures
AAS 17	Leases	AASB 1018	Statement of Financial Performance
AAS 18	Accounting for Goodwill	AASB 1028	Employee Benefits
AAS 19	Interests in Joint Ventures	AASB 1041	Revaluation of Non-Current Assets
AAS 20A	Foreign Currency Translation	AASB 1042	Discontinuing Operations
AAS 21	Acquisitions of Assets	AASB 1043	Changes to the Application of AASB and AAS Standards and Other Amendments
AAS 22	Related Party Disclosures	AASB 1044	Provisions, Contingent Liabilities and Contingent Assets
AAS 23	Set-off and Extinguishment of Debt	AASB 1045	Land Under Roads: Amendments to AAS 27A, AAS 29A and AAS31
AAS 24	Consolidated Financial Reports	AASB 1046	Director and Executive Disclosures by Disclosing Entities
AAS 25	Financial Reporting by Superannuation Plans	AASB 1046A	Amendments to Accounting Standard AASB 1046
AAS 26	Financial Reporting of General Insurance Activities	AASB 1047	Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards
AAS 27	Financial Reporting by Local Governments		

Appendix B

Australian Equivalents to International Financial Reporting Standards (applicable from 1 January 2005)

AASB 1	First-time Adoption of Australian Equivalents to International Financial Reporting Standards	AASB 131	Interests in Joint Ventures
AASB 2	Share-based Payment	AASB 132	Financial Instruments: Disclosure and Presentation
AASB 3	Business Combinations	AASB 133	Earnings per Share
AASB 4	Insurance Contracts	AASB 134	Interim Financial Reporting
AASB 5	Non-current Assets Held for Sale and Discontinued Operations	AASB 136	Impairment of Assets
AASB 101	Presentation of Financial Statements	AASB 137	Provisions, Contingent Liabilities and Contingent Assets
AASB 102	Inventories	AASB 138	Intangible Assets
AASB 107	Cash Flow Statements	AASB 139	Financial Instruments: Recognition and Measurement
AASB 108	Accounting Policies, Changes in Accounting Estimates and Errors	AASB 140	Investment Property
AASB 110	Events after the Balance Sheet Date	AASB 141	Agriculture
AASB 111	Construction Contracts	AASB 1004	Contributions
AASB 112	Income Taxes	AASB 1023	General Insurance Contracts
AASB 114	Segment Reporting	AASB 1031	Materiality
AASB 116	Property, Plant and Equipment	AASB 1038	Life Insurance Contracts
AASB 117	Leases	AASB 1048	Interpretation and Application of Standards
AASB 118	Revenue	AAS 22	Related Party Disclosures
AASB 119	Employee Benefits	AAS 25	Financial Reporting by Superannuation Plans
AASB 120	Accounting for Government Grants and Disclosure of Government Assistance	AAS 27	Financial Reporting by Local Governments
AASB 121	The Effects of Changes in Foreign Exchange Rates	AAS 29	Financial Reporting by Government Departments
AASB 123	Borrowing Costs	AAS 31	Financial Reporting by Governments
AASB 124	Related Party Disclosures		
AASB 127	Consolidated and Separate Financial Statements		
AASB 128	Investments in Associates		
AASB 129	Financial Reporting in Hyperinflationary Economies		
AASB 130	Disclosures in the Financial Statements of Banks and Similar Financial Institutions		