

# IFRS® STANDARDS—APPLICATION AROUND THE WORLD



## JURISDICTIONAL PROFILE: **Australia**

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This Profile provides information about the application of IFRS® Accounting Standards (Standards) in Australia. The Standards are developed and issued in the public interest by the International Accounting Standards Board (IASB). The IASB is the standard-setting body of the IFRS Foundation (Foundation), an independent, private sector, not-for-profit organisation.

The Foundation has prepared this Profile based on information from various sources. The starting point was the answers provided by standard-setting and other bodies in response to surveys the Foundation conducted on the application of the Standards around the world. The Foundation drafted the profile and invited the respondents to the survey. The Foundation also invited others (including regulators and international audit firms) to review the drafts. Their comments are reflected in this Profile.

The purpose of the Foundation's Jurisdictional Profiles is to illustrate only the extent of implementation of the Standards across the globe. The Profiles do not reflect the intellectual property licensing status of the Standards within any given jurisdiction. The Standards are protected by copyright and are subject to licensing arrangements agreed upon within their jurisdiction. For further information, please contact [permissions@ifrs.org](mailto:permissions@ifrs.org).

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### RELEVANT JURISDICTIONAL AUTHORITY

Organisation	Australian Accounting Standards Board (AASB)
Role of the organisation	<p>The AASB is an Australian Government agency under the Australian Securities and Investments Commission Act 2001. Under that Act, the statutory functions of the AASB are:</p> <ul style="list-style-type: none"> <li>• to develop a conceptual framework for the purpose of evaluating proposed standards;</li> <li>• to make accounting standards under section 334 of the Corporations Act 2001;</li> <li>• to formulate accounting standards for other purposes;</li> <li>• to participate in and contribute to the development of a single set of accounting standards for worldwide use; and</li> <li>• to advance and promote the main objects of Part 12 of the ASIC Act, which include reducing the cost of capital, enabling Australian entities to compete effectively overseas and maintaining investor confidence in the Australian economy.</li> </ul>

Australian Accounting Standards apply to:

- entities required by the Corporations Act 2001 to prepare financial reports;
- governments in preparing financial statements for the whole of government and the General Government Sector (GGS); and
- entities in the private or public for-profit or not-for-profit sectors that are reporting entities (as defined by Australian Accounting Standards) or that prepare general purpose financial statements.

Website

[www.aasb.gov.au](http://www.aasb.gov.au)

Email contact

[info@aasb.gov.au](mailto:info@aasb.gov.au)

## COMMITMENT TO GLOBAL FINANCIAL REPORTING STANDARDS

Has the jurisdiction made a public commitment in support of moving towards a single set of high quality global accounting standards?

Yes.

Has the jurisdiction made a public commitment towards IFRS Accounting Standards as that single set of high quality global accounting standards?

Yes.

What is the jurisdiction's status of adoption?

Australia has already adopted IFRS Standards for all companies (for-profit entities) that are 'Reporting Entities'. This includes all companies whose securities are publicly traded plus others.

Additional comments provided on the adoption status?

Australia has adopted IFRS Standards since 1 January 2005. However, convergence with Standards issued by the Board and its predecessor, the IASC Board, had been occurring since 1996. Adoption from 2005 was through application of IFRS 1 First-time Adoption of International Financial Reporting Standards. Transitional disclosure requirements were specified in the year prior to adoption in AASB 1047 Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards.

When Australia initially adopted IFRS Standards as of 2005, the AASB made a number of changes to IFRS Standards, including elimination of accounting policy options and addition of disclosures. In 2007, the AASB approved an 'Amending Standard' that rescinded the changes that the AASB had made to IFRS when it initially adopted them as Australian Equivalents of IFRS Standards. Those amendments were effective 1 July 2007. However some additional disclosures still remain.

Australia has two Tiers of reporting requirements for preparing general purpose financial statements:

- Tier 1: Australian Accounting Standards; and
- Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

IFRS are incorporated into Tier 1 of Australian Accounting Standards, with the addition of paragraphs on the applicability of each Standard in the Australian environment.

Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 (which are also the recognition, measurement and presentation requirements of IFRS Standards) and substantially reduced disclosures corresponding to those requirements.

The following entities apply Tier 1 requirements in preparing general purpose financial statements:

- for-profit entities in the private sector that have public accountability (including pension funds); and
- the Australian Government and State, Territory and Local Governments.

The following entities may apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:

- for-profit private sector entities that do not have public accountability;
- all not-for-profit private sector entities; and
- public sector entities other than the Australian Government and State, Territory and Local Governments

Private sector for-profit entities complying with Tier 1 of Australian Accounting Standards will simultaneously comply with IFRS Standards. Those entities are required to have an explicit statement in the statutory financial statements regarding compliance with IFRS Standards as issued by the Board.

#### **March 2017 report on evaluation of IFRS Standards in Australia**

In March 2017, the Australian Accounting Standards Board (AASB) published AASB Research Report No. 4, Review of Adoption of International Financial Reporting Standards in Australia. The report found:

- The IFRS Standards transition process has been reasonably smooth for most sectors.
- While IFRS Standards are currently an appropriate basis for AASB Standards developed for NFP entities, further modifications are needed to improve the quality and the cost-efficiency of financial reporting.
- One of the key benefits of adoption across all sectors is that it has enabled users and preparers to move between sectors, and between countries, with transferable knowledge and skills.
- Some entities, in particular those that operate in other countries that use IFRS Standards, have experienced cost savings in preparing financial reports. In contrast, some small and medium-sized entities (SMEs) and NFP entities have concerns regarding the costs of fully complying with AASB Standards, particularly the disclosure requirements.

If the jurisdiction has NOT made a public statement supporting the move towards a single set of accounting standards and/or towards IFRS Accounting Standards as that set of standards, explain the jurisdiction's general position towards the adoption of IFRS Accounting Standards in the jurisdiction.

Not applicable.

## **EXTENT OF IFRS APPLICATION**

*For DOMESTIC companies whose debt or equity securities trade in a public market in the jurisdiction:*

Are all or some domestic companies whose securities trade in a public market either required or permitted to use IFRS

Yes.

Accounting Standards in their consolidated financial statements?

If YES, are IFRS Accounting Standards REQUIRED or PERMITTED?

Required.

Does that apply to ALL domestic companies whose securities trade in a public market, or only SOME? If some, which ones?

All.

Are IFRS Accounting Standards also required or permitted for more than the consolidated financial statements of companies whose securities trade in a public market?

Yes.

IFRS Standards are required for all entities that meet the definition of a 'reporting entity' under Australian accounting standards. A reporting entity is 'an entity in respect of which it is reasonable to expect the existence of users who rely on the entity's general purpose financial statement for information that will be useful to them for making and evaluating decisions about the allocation of resources. A reporting entity can be a single entity or a group comprising a parent and all of its subsidiaries.'

For instance, are IFRS Accounting Standards required or permitted in separate company financial statements of companies whose securities trade in a public market?

Required if the separate company is a 'reporting entity'. Permitted if the separate company does not meet the definition of a 'reporting entity'.

For instance, are IFRS Accounting Standards required or permitted for companies whose securities do not trade in a public market?

The Australian accounting standards that incorporate IAS 1 *Presentation of Financial Statements*, IAS 7 *Statement of Cash Flows*, and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* are required to be applied by all companies, irrespective of reporting entity status. All other standards are required if the entity whose securities do not trade in a public market is a 'reporting entity'. Permitted for other companies that do not meet the definition of 'reporting entity'.

If the jurisdiction currently does NOT require or permit the use of IFRS Accounting Standards for domestic companies whose securities trade in a public market, are there any plans to permit or require IFRS Accounting Standards for such companies in the future?

Not applicable.

*For FOREIGN companies whose debt or equity securities trade in a public market in the jurisdiction:*

Are all or some foreign companies whose securities trade in a public market either REQUIRED or PERMITTED to use IFRS Accounting Standards in their consolidated financial statements?

Yes.

If YES, are IFRS Accounting Standards REQUIRED or PERMITTED in such cases?

Permitted. Under the Corporations Act lodging requirements and Australian Securities Exchange (ASX) listing rules foreign companies can report under their place-of-origin reporting rules, subject to the suitability of those rules. ASX identifies a list of which jurisdictions' rules have been deemed acceptable.

Does that apply to ALL foreign companies whose securities trade in a public market, or only SOME? If some, which ones?

All.

## IFRS ENDORSEMENT

Which IFRS Accounting Standards are required or permitted for domestic companies?	IFRS Standards as issued by the Board, ie the AASB's policy is that standards and amendments are adopted/endorsed as and when issued by the Board.
The auditor's report and/or the basis of presentation footnote states that financial statements have been prepared in conformity with:	<p>Both the jurisdiction's financial reporting standards (Australian Accounting Standards) and IFRS Standards.</p> <p>Further, the basis of preparation note to the financial statements goes on to say that compliance with Australian Accounting Standards ensures that the financial statements also comply with IFRS Standards.</p> <p>In June 2010, the Australian Parliament passed financial reporting reform legislation that requires an explicit statement of compliance with IFRS in the directors' declaration accompanying the financial statements. The change was designed to counter a lack of awareness that the financial statements of Australian companies and other reporting entities comply with IFRS Standards.</p>
Does the auditor's report and/or the basis of preparation footnote allow for 'dual reporting' (conformity with both IFRS Accounting Standards and the jurisdiction's GAAP)?	Yes.
Are IFRS Accounting Standards incorporated into law or regulations?	IFRS Standards (including Interpretations) are incorporated into Australian Accounting Standards and have the force of law for all companies lodging financial statements. Lodging means filing with a governmental agency, though it does not necessarily mean that those financial statements are made publicly available.
If yes, how does that process work?	AASB issues an exposure draft (ED) incorporating an ED of an IFRS Standard at the same time as the Board issues its ED. AASB encourages its constituents to participate in outreach. AASB considers constituents' comments in drafting its comments to the Board. AASB monitors the development of an IFRS Standards, and provides input to staff or Board members as appropriate. A ballot draft of an Australian Accounting Standard incorporating the new or amended IFRS Standards is sent to AASB members for voting. Once an Australian Accounting Standard is adopted, it is still subject to disallowance by the Australian Parliament.
If no, how do IFRS Accounting Standards become a requirement in the jurisdiction?	Not applicable.
Does the jurisdiction have a formal process for the 'endorsement' or 'adoption' of new or amended IFRS Accounting Standards (including Interpretations) in place?	See answer above about incorporating IFRS Standards into law.
If yes, what is the process?	See answer above about incorporating IFRS Standards into law.
If no, how do new or amended IFRS Accounting Standards become a requirement in the jurisdiction?	Not applicable.
Has the jurisdiction eliminated any accounting policy options permitted by IFRS Accounting Standards and/or made any modifications to any IFRS Accounting Standards?	No with respect to for-profit entities, except that Australia has not adopted IAS 26 Accounting and Reporting by Retirement Benefit Plans. Retirement benefit plans in Australia must apply IFRS Standards (except for IAS 26) and also apply Australian accounting standard AAS 25 <i>Financial Reporting by</i>

*Superannuation Plans*. Modifications are made for not-for-profit entities. Additional guidance is provided in some standards for for-profit entities (eg AASB 6 equivalent to IFRS 6 *Exploration for and Evaluation of Mineral Assets* has additional guidance on 'area of interest accounting' that is considered consistent with IFRS 6).

When Australia initially adopted IFRS as of 2005, the AASB made a number of changes to IFRS Standards, including elimination of accounting policy options. In 2007, the AASB approved an 'Amending Standard' that rescinded the changes that the AASB had made to IFRS Standards when it initially adopted them. Those amendments were effective 1 July 2007.

Australia has additional standards required for life and general insurers that are entirely consistent with IFRS 4 Insurance Contracts. Australia has added an additional standard on materiality (to be withdrawn).

Australia has additional interpretations including those on Australian Petroleum Resource Rent Tax, depreciation of long-lived physical assets, goods and services tax, substantive enactment of major tax bills in Australia (to be withdrawn), subscriber acquisition costs in the telecommunications industry, and tax consolidation accounting. Australia continues to have additional disclosure requirements specific to Australian legal requirements (eg dividends and prudential capital requirements).

If yes, what are the changes?

Not applicable.

Other comments regarding the use of IFRS Accounting Standards in the jurisdiction?

AASB standards take a transaction-neutral approach whereby the same accounting principles of IFRS Standards are applied irrespective of whether an entity is for-profit, not-for-profit, public sector, or private sector. Modifications are made to deal with not-for-profit/public sector specific issues.

## TRANSLATION OF IFRS ACCOUNTING STANDARDS

Are IFRS Accounting Standards translated into the local language?

Not applicable. English is the local language.

If they are translated, what is the translation process? In particular, does this process ensure an ongoing translation of the latest updates to IFRS Accounting Standards?

Not applicable.

## APPLICATION OF THE IFRS FOR SMEs ACCOUNTING STANDARD

Has the jurisdiction adopted the *IFRS for SMEs* Accounting Standard for at least some SMEs?

No.

If no, is the adoption of the *IFRS for SMEs* Accounting Standard under consideration?

No. The AASB is continuing to monitor the *IFRS for SMEs* Standard for potential adoption in Australia; however it is not currently considering adoption.

Did the jurisdiction make any modifications to the *IFRS for SMEs* Accounting Standard?

Not applicable.

If the jurisdiction has made any modifications, what are those modifications?

Not applicable.

Which SMEs use the *IFRS for SMEs* Accounting Standard in the jurisdiction, and are they required or permitted to do so?

All SMEs that are Reporting Entities are permitted to use IFRS Standards (ie the AASB's Tier 1 reporting requirements) or the AASB's Tier 2 reporting requirements. Also, there is no prohibition on non-reporting entities using the *IFRS for SMEs* Standards if the entity is not a reporting entity reporting and not reporting under the Corporations Act.

For those SMEs that are not required to use the *IFRS for SMEs* Accounting Standard, what other accounting framework do they use?

Australia's Tier 2 reporting requirements are referred to as Reduced Disclosure Requirements (RDR), which is available for general purpose financial reporting by non-publicly accountable entities. Except for consolidation, RDR adopts the same recognition and measurement requirements that are applicable to general purpose financial reporting by publicly accountable entities (Tier 1, ie IFRS Standards) but with significantly reduced disclosures. The principles for determining the reduced disclosures are based on the principles used for determining the disclosures prescribed in the *IFRS for SMEs* Standard.

Other comments regarding use of the *IFRS for SMEs* Accounting Standard?

The AASB is continuing to monitor the *IFRS for SMEs* Standard for potential adoption in Australia.