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| FRD 120K |  |  | Accounting and Reporting Pronouncements Applicable to the 2016‑17 Reporting Period (July 2017) |
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| Purpose |  |  | To advise the accounting and reporting pronouncements that are applicable to departments and public bodies for the relevant reporting period. |
| Application |  |  | Applies to any ‘department’, or ‘public body’ as defined under section 3 of the *Financial Management Act 1994*. |
| Operative date |  |  | Annual reporting periods commencing on, or after, 1 July 2016.  FRD 120J *Accounting and Reporting Pronouncements Applicable to 2015-16 Reporting Period* is superseded and withdrawn effective 1 July 2016. |
| Requirements |  |  | To apply relevant Australian accounting and reporting pronouncements as listed in Appendix 1. Each new or revised accounting standard is effective from its application date unless the Minister for Finance has directed or given written permission for early adoption as permitted under FRD 7A *Early Adoption of Authoritative Accounting Pronouncements*. Appendix 1 lists the conceptual framework, Australian accounting standards, AASB Interpretations, Standing Ministerial Directions and Financial Reporting Directions that are applicable to the 2016 -17 reporting period. |
| Guidance |  |  | When an entity has not applied a new accounting standard that has been issued but is not yet effective, paragraph 30 of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* requires the entity to disclose:   * + 1. this fact; and     2. known or reasonably estimable information relevant to assessing the possible impact that application of the new Australian Accounting Standard will have on the entity’s financial statements in the period of initial application.   AASB 108.31 provides further guidance on this requirement.  Appendix 2 is provided to assist entities in preparing their disclosure of issued but not yet effective Australian accounting and reporting pronouncements in their ‘Summary of Significant Accounting Policies’ note of their financial reports. Entities should assess and disclose the potential impact of these pronouncements to their own financial statements based on their own circumstances. |

# Appendix 1

## Currently effective Australian accounting and reporting pronouncements

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| Framework | Issued/amended | Conceptual framework title |
| CF | Jun 2014 | Framework for the Preparation and Presentation of Financial Statements |
| CF 2013-1 | Dec 2013 | Amendments to the Australian Conceptual Framework |
| SAC 1 | Aug 1990 | Definition of the Reporting Entity |

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| AASB | Issued/amended | Australian Accounting Standards Board’s Standards (AASB) title |
| 1 | Jun 2015 | First-time Adoption of Australian Accounting Standards |
| 2 | Jan 2015 | Share-based Payment 1 |
| 3 | Jan 2015 | Business Combinations 1 |
| 4 | Dec 2013 | Insurance Contracts 1 |
| 5 | Jan 2015 | Non-current Assets Held for Sale and Discontinued Operations |
| 6 | Aug 2015 | Exploration for and Evaluation of Mineral Resources 1 |
| 7 | Jan 2015 | Financial Instruments: Disclosures |
| 8 | Nov 2015 | Operating Segments 1 |
| 10 | Dec 2015 | Consolidated Financial Statements |
| 11 | Jul 2015 | Joint Arrangements |
| 12 | Aug 2015 | Disclosure of Interests in Other Entities |
| 13 | Jul 2015 | Fair Value Measurement 2 |
| 14 | June 2014 | Regulatory Deferral Accounts 1 |
| 101 | Aug 2015 | Presentation of Financial Statements |
| 102 | Dec 2013 | Inventories |
| 107 | Aug 2015 | Statement of Cash Flows |
| 108 | Jan 2015 | Accounting Policies, Changes in Accounting Estimates and Errors |
| 110 | Jan 2015 | Events after the Reporting Period |
| 111 | Jan 2015 | Construction Contracts |
| 112 | Dec 2013 | Income Taxes |
| 116 | Dec 2014 | Property, Plant and Equipment |
| 117 | Aug 2015 | Leases |
| 118 | Dec 2013 | Revenue |
| 119 | Aug 2015 | Employee Benefits |
| 120 | Dec 2013 | Accounting for Government Grants and Disclosure of Government Assistance |
| 121 | Jan 2015 | The Effects of Changes in Foreign Exchange Rates |
| 123 | Jan 2015 | Borrowing Costs |
| 124 | Jul 2015 | Related Party Disclosures |
| 127 | Aug 2015 | Separate Financial Statements |
| 128 | Dec 2015 | Investments in Associate and Joint Ventures |
| 129 | Aug 2015 | Financial Reporting in Hyperinflationary Economies |
| 132 | Dec 2013 | Financial Instruments: Presentation |
| 133 | Nov 2015 | Earnings per Share 1 |
| 134 | Jan 2015 | Interim Financial Reporting |
| 136 | Dec 2014 | Impairment of Assets |
| 137 | Jan 2015 | Provisions, Contingent Liabilities and Contingent Assets |
| 138 | Aug 2014 | Intangible Assets |
| 139 | Jun 2014 | Financial Instruments: Recognition and Measurement |
| 140 | Jan 2015 | Investment Property |
| 141 | Aug 2015 | Agriculture |
| 1004 | Jan 2015 | Contributions |
| 1023 | Dec 2013 | General Insurance Contracts 1 |
| 1038 | Dec 2013 | Life Insurance Contracts 1 |
| 1039 | Jan 2015 | Concise Financial Reports 1 |
| 1048 | Aug 2015 | Interpretation of Standards |
| 1049 | Mar 2015 | Whole of Government and General Government Sector Financial Reporting |
| 1050 | Dec 2013 | Administered Items |
| 1051 | Dec 2013 | Land Under Roads |
| 1052 | Jun 2014 | Disaggregated Disclosures |
| 1053 | Jan 2015 | Application of Tiers of Australian Accounting Standards |
| 1054 | Jan 2015 | Australian Additional Disclosures |
| 1055 | Dec 2013 | Budgetary Reporting |
| 1056 | Jun 2014 | Superannuation entities 1 |
| 1057 | Nov 2015 | Application of Australian Accounting Standards |

Notes:

1. This Standard may not be relevant to all Victorian public sector entities.

2. Amending standard AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities*, which is operative from 1 July 2016 provides an exemption for not-for-profit public sector entities from certain fair value disclosures. Please note that the State early adopted AASB 2015-7 in the 2014-15 reporting period and gave not-for-profit entities the option to early adopt this amending standard last year. As a result, all not-for-profit entities must now comply with this amending standards for the current financial year.

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| AI | Issued/amended | Australian Accounting Standards Board (AASB) Interpretations  Title |
| 1 | Jul 2015 | Changes in Existing Decommissioning, Restoration and Similar Liabilities |
| 2 | Dec 2013 | Members’ Shares in Co-operative Entities and Similar Instruments 1 |
| 4 | Aug 2015 | Determining whether an Arrangement contains a Lease |
| 5 | Dec 2013 | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds |
| 6 | Aug 2015 | Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment |
| 7 | Aug 2015 | Applying the Restatement Approach under AASB 129 *Financial Reporting in Hyperinflationary Economies* |
| 9 | Dec 2013 | Reassessment of Embedded Derivatives |
| 10 | Dec 2013 | Interim Financial Reporting and Impairment |
| 12 | Dec 2013 | Service Concession Arrangements 1 |
| 13 | Dec 2013 | Customer Loyalty Programmes 1 |
| 14 | Aug 2015 | AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction |
| 15 | Dec 2013 | Agreements for the Construction of Real Estate |
| 16 | Dec 2013 | Hedges of a Net Investment in a Foreign Operation 1 |
| 17 | Aug 2015 | Distributions of Non-cash Assets to Owners 1 |
| 18 | Dec 2013 | Transfers of Assets from Customers 1 |
| 19 | Dec 2013 | Extinguishing Financial Liabilities with Equity Instruments |
| 20 | Aug 2015 | Stripping Costs in the Production Phase of a Surface Mine 1 |
| 21 | Aug 2015 | Levies |
| 107 | Dec 2013 | Introduction of the Euro 1 |
| 110 | Aug 2015 | Government Assistance – No Specific Relation to Operating Activities |
| 115 | Aug 2015 | Operating Leases – Incentives |
| 125 | Aug 2015 | Income Taxes – Changes in the Tax Status of an Entity or its Shareholders |
| 127 | Dec 2013 | Evaluating the Substance of Transactions Involving the Legal Form of a Lease |
| 129 | Aug 2015 | Service Concession Arrangements: Disclosures |
| 131 | Dec 2013 | Revenue – Barter Transactions Involving Advertising Services |
| 132 | Dec 2013 | Intangible Assets – Web Site Costs |
| 1003 | Dec 2013 | Australian Petroleum Resource Rent Tax 1 |
| 1019 | Dec 2013 | The Superannuation Contributions Surcharge 1 |
| 1030 | Dec 2013 | Depreciation of Long-Lived Physical Assets: Condition-Based Depreciation and Related Methods |
| 1031 | Dec 2013 | Accounting for the Goods and Services Tax (GST) |
| 1038 | Dec 2013 | Contributions by Owners Made to Wholly-Owned Public Sector Entities |
| 1042 | Dec 2013 | Subscriber Acquisition Costs in the Telecommunications Industry 1 |
| 1047 | Dec 2013 | Professional Indemnity Claims Liabilities in Medical Defence Organisations 1 |
| 1052 | Dec 2013 | Tax Consolidation Accounting |
| 1055 | Dec 2013 | Accounting for Road Earthworks |

Notes:

1. This Interpretation may not be relevant to Victorian public sector entities.

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| SD | Issued/amended | Standing Directions of the Minister for Finance title |
| 1 | June 2016 | Purpose and application |
| 2 | June 2016 | Roles and responsibilities |
| 3 | June 2016 | Governance |
| 4 | June 2016 | Delivering services |
| 5 | June 2016 | Compliance and reporting |

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| FRD | Issued/amended | Financial Reporting Directions issued by the Minister for Finance title |
| 3A | Nov 2005 | Accounting for dividends |
| 7B | Jan 2016 | Early adoption of authoritative accounting pronouncements |
| 8D | Jan 2016 | Consistency of budget and departmental reporting |
| 9B | May 2017 | Departmental disclosure of administered assets and liabilities by activity |
| 10A | Jan 2016 | Disclosure index |
| 11A | Jun 2013 | Disclosure of ex-gratia expenses |
| 12B | Jun 2016 | Disclosure of major contracts |
| 13 | Nov 2005 | Disclosure of Parliamentary appropriations |
| 14 | Nov 2005 | Disclosures in annual reports by public sector superannuation schemes |
| 15D | May 2017 | Executive officer disclosures in the Report of Operations by departments |
| 17B | May 2014 | Wage Inflation and Discount Rates for Employee Benefits |
| 20A | Nov 2005 | Accounting for State motor vehicle lease arrangements prior 1 February 2004 |
| 21C | May 2017 | Disclosures of responsible persons and executive officers in the financial report |
| 22H | May 2017 | Standard disclosures in the Report of Operations |
| 24C | Feb 2008 | Reporting of office-based environmental data by government entities |
| 25C | Nov 2016 | Local Jobs First - Victorian Industry Participation Policy Disclosures in the Report of Operations |
| 26B | May 2017 | Accounting for Vic-Fleet motor vehicle lease arrangements on or after 1 February 2004 |
| 27C | May 2014 | Presentation and reporting of performance information |
| 29B | May 2017 | Workforce data disclosures in the Report of Operations – public service employees |
| 30D | May 2017 | Standard requirements for the publication of annual reports |
| 100A | Jun 2016 | Financial Reporting Directions – Framework |
| 102A | Jul 2016 | Inventories |
| 103F | Jun 2015 | Non-financial physical assets |
| 105B | Jun 2016 | Borrowing costs |
| 106A | Jun 2016 | Impairment of assets |
| 107B | Jun 2016 | Investment properties |
| 108C | May 2017 | Classification of entities as for-profit |
| 109A | Jun 2016 | Intangible assets |
| 110A | Jun 2016 | Cash flow statements |
| 112D | May 2014 | Defined benefit superannuation obligations |
| 113A | Jun 2015 | Investments in subsidiaries, joint ventures and associates in separate financial statements |
| 114B | Jun 2016 | Financial instruments – general government entities and public non-financial corporations |
| 116A | Jun 2016 | Financial instruments – public financial corporations |
| 117A | Jun 2016 | Contributions of existing non-financial assets to third parties |
| 118C | Jun 2016 | Land under declared roads |
| 119A | Aug 2013 | Transfers through contributed capital |
| 120K | July 2017 | Accounting and reporting pronouncements applicable to the 2016-17 reporting period |

# Appendix 2

## Issued but not yet effective Australian accounting and reporting pronouncements

The table below is provided to assist entities in updating their disclosure in relation to the Australian accounting standards that are issued but not yet effective for 2016-17 in accordance with paragraph 30 of AASB 108. This disclosure should be included in the *Summary of Significant Accounting Policies* note of entities’ financial reports. Entities are expected to review the relevance of the proposed disclosure based on their own circumstances.

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| Standard/Interpretation 1 | Summary | Applicable for annual reporting periods beginning on | Impact on public sector entity financial statements |
| AASB 9 *Financial Instruments* | The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred. | 1 Jan 2018 | The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals.  While there will be no significant impact arising from AASB 9, there will be a change to the way financial instruments are disclosed. |
| AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2010) | The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows:   * The change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and * Other fair value changes are presented in profit and loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. | 1 Jan 2018 | The assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss.  Changes in own credit risk in respect of liabilities designated at fair value through profit and loss will now be presented within other comprehensive income (OCI).  Hedge accounting will be more closely aligned with common risk management practices making it easier to have an effective hedge.  For entities with significant lending activities, an overhaul of related systems and processes may be needed. |
| AASB 2014-1 *Amendments to Australian Accounting Standards [Part E Financial Instruments]* | Amends various AASs to reflect the AASB’s decision to defer the mandatory application date of  AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements. | 1 Jan 2018 | This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements. |
| AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9* | Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9. | 1 Jan 2018 | The assessment has indicated that there will be no significant impact for the public sector. |
| AASB 15 *Revenue from Contracts with Customers* | The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. | 1 Jan 2018 | The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications. |
| AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15* | Amends the measurement of trade receivables and the recognition of dividends.  Trade receivables, that do not have a significant financing component, are to be measured at their transaction price, at initial recognition.  Dividends are recognised in the profit and loss only when:   * the entity’s right to receive payment of the dividend is established; * it is probable that the economic benefits associated with the dividend will flow to the entity; and * the amount can be measured reliably. | 1 Jan 2017, except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply from 1 Jan 2018 | The assessment has indicated that there will be no significant impact for the public sector. |
| AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15* | This Standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018. | 1 Jan 2018 | This amending standard will defer the application period of AASB 15 for for-profit entities to the 2018-19 reporting period in accordance with the transition requirements. |
| AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15* | This Standard amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require:   * A promise to transfer to a customer a good or service that is ‘distinct’ to be recognised as a separate performance obligation; * For items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and * For licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access). | 1 Jan 2018 | The assessment has indicated that there will be no significant impact for the public sector, other than the impact identified for AASB 15 above. |
| AASB 2016-7 *Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities* | This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019. | 1 Jan 2019 | This amending standard will defer the application period of AASB 15 for not-for-profit entities to the 2019-20 reporting period. |
| AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities* | This Standard amends AASB 9 and AASB 15 to include requirements to assist not-for-profit entities in applying the respective standards to particular transactions and events. The amendments:   * require non-contractual receivables arising from statutory requirements (i.e. taxes, rates and fines) to be initially measured and recognised in accordance with AASB 9 as if those receivables are financial instruments; and * clarifies circumstances when a contract with a customer is within the scope of AASB 15*.* | 1 Jan 2019 | The assessment has indicated that there will be no significant impact for the public sector, other than the impacts identified for AASB 9 and AASB 15 above. |
| AASB 16 *Leases* | The key changes introduced by AASB 16 include the recognition of most operating leases (which are current not recognised) on balance sheet. | 1 Jan 2019 | The assessment has indicated that as most operating leases will come on balance sheet, recognition of the right-of-use assets and lease liabilities will cause net debt to increase.  Rather than expensing the lease payments, depreciation of right-of-use assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus.  No change for lessors. |
| AASB 2016-4 *Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities* | The standard amends AASB 136 *Impairment of Assets* to remove references to using depreciated replacement cost (DRC) as a measure of value in use for not-for-profit entities. | 1 Jan 2017 | The assessment has indicated that there is minimal impact. Given the specialised nature and restrictions of public sector assets, the existing use is presumed to be the highest and best use (HBU), hence current replacement cost under AASB 13 *Fair Value Measurement* is the same as the depreciated replacement cost concept under AASB 136. |
| AASB 1058 *Income of Not-for-Profit Entities* | This standard replaces AASB 1004 *Contributions* and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable to not-for-profit entity to further its objectives. | 1 Jan 2019 | The assessment has indicated that revenue from capital grants that are provided under an enforceable agreement that have sufficiently specific obligations, will now be deferred and recognised as performance obligations are satisfied. As a result, the timing recognition of revenue will change. |

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2016-17 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting.

* AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses* [AASB 112]
* AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*
* AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurements of Share-based Payment Transactions*
* AASB 2016-6 *Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts*
* AASB 2017-1 *Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-16 Cycle and Other Amendments*
* AASB 2017-2 *Amendments to Australian Accounting Standards – Further Annual Improvements 2014-16 Cycle*

Notes:

1. For the current year, given the number of consequential amendments to AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers*, the standards/interpretations have been grouped together to provide a more relevant view of the upcoming changes.