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| FRD 120L |  |  | Accounting and Reporting Pronouncements Applicable to the 2017‑18 Reporting Period (June 2018) |
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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 2017.  FRD 120K *Accounting and Reporting Pronouncements Applicable to 2016-17 Reporting Period* is superseded and withdrawn effective 1 July 2017. |
| 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 2017 -18 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 | Feb 2017 | Disclosure of Interests in Other Entities |
| 13 | Jul 2015 | Fair Value Measurement |
| 14 | June 2014 | Regulatory Deferral Accounts 1 |
| 101 | Aug 2015 | Presentation of Financial Statements |
| 102 | Dec 2013 | Inventories |
| 107 | Mar 2016 | Statement of Cash Flows |
| 108 | Jan 2015 | Accounting Policies, Changes in Accounting Estimates and Errors |
| 110 | Jan 2015 | Events after the Reporting Period |
| 111 | Dec 2016 | Construction Contracts3 |
| 112 | Dec 2013 | Income Taxes |
| 116 | Dec 2014 | Property, Plant and Equipment |
| 117 | Aug 2015 | Leases2 |
| 118 | Dec 2013 | Revenue3 |
| 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 | Contributions4 |
| 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. This standard will be superseded by AASB 16 *Leases* for periods beginning on or after 1 January 2019.

3. These standards will be superseded for our for-profit entities by AASB 15 *Revenue from Contracts with Customers* for periods beginning on or after 1 January 2018. The amending standard AASB 2016-7 deferred the effective date of AASB 15 *Revenue from Contracts with Customers*, which supersedes this standard, for not-for-profit-entities reporting period from 1 January 2018 to 1 January 2019.

4. Government grants and other types of contributions contained within AASB1004 *Contributions* will be replaced by AASB 1058 *Income of Not-for-Profit Entities*. AASB1004 will be restricted to contributions by owners in a public-sector context.

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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 Lease2 |
| 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 Derivatives3 |
| 10 | Dec 2013 | Interim Financial Reporting and Impairment |
| 12 | Dec 2013 | Service Concession Arrangements 1 |
| 13 | Dec 2016 | Customer Loyalty Programmes 1 |
| 14 | Aug 2015 | AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction |
| 15 | Dec 2016 | Agreements for the Construction of Real Estate4 |
| 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 2016 | 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 Lease2 |
| 129 | Aug 2015 | Service Concession Arrangements: Disclosures |
| 131 | Dec 2016 | Revenue – Barter Transactions Involving Advertising Services4 |
| 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 2016 | 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 Accounting1 |
| 1055 | Dec 2013 | Accounting for Road Earthworks |

Notes:

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

2. This Interpretation will be superseded by AASB 16 *Leases* for periods beginning on or after 1 January 2019.

3. This Interpretation will be superseded by AASB 9 *Financial Instruments* for periods beginning on or after 1 January 2018.

4. This Interpretation will be superseded for our for-profit entities by AASB 15 *Revenue from Contracts with Customers* for periods beginning on or after 1 January 2018. The amending standard AASB 2016-7 deferred the effective date of AASB 15 *Revenue from Contracts with Customers*, which supersedes this interpretation, for not-for-profit-entities reporting period from 1 January 2018 to 1 January 2019.

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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 |
| 15E | Feb 2018 | 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 |
| 24D | May 2018 | 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 |
| 29C | Feb 2018 | 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 |
| 103G | Jun 2018 | Non-financial physical assets |
| 105B | Jun 2016 | Borrowing costs |
| 106B | May 2018 | 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 |
| 120L | Jun 2018 | Accounting and reporting pronouncements applicable to the 2017-18 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 2017-18 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 hedge accounting model and a revised impairment loss model to recognise expected 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.  The initial application of AASB 9 is not expected to significantly impact the financial positon however there will be a change to the way financial instruments are classified and new disclosure requirements. |
| 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, 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. Note that amending standard AASB 2015‑8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15* has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017. | 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 as follows:   * 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 2018, 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* | AASB 2016-8 inserts Australian requirements and authoritative implementation guidance for not-for-profit-entities into AASB 9 and AASB 15.  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. | 1 Jan 2019 | This standard clarifies the application of AASB 15 and AASB 9 in a not-for-profit context. The areas within these standards that are amended for not-for-profit application include:  *AASB 9*   * Statutory receivables are recognised and measured similarly to financial assets   *AASB 15*   * The “customer” does not need to be the recipient of goods and/or services; * The “contract” could include an arrangement entered into under the direction of another party; * Contracts are enforceable if they are enforceable by legal or “equivalent means”; * Contracts do not have to have commercial substance, only economic substance; and * Performance obligations need to be “sufficiently specific” to be able to apply AASB 15 to these transactions. |
| AASB 16 *Leases* | The key changes introduced by AASB 16 include the recognition of operating leases (which are currently not recognised) on balance sheet. | 1 Jan 2019 | The assessment has indicated that most operating leases, with the exception of short term and low value leases will come on to the balance sheet and will be recognised as right of use assets with a corresponding lease liability.  In the operating statement, the operating lease expense will be replaced by depreciation expense of the asset and an interest charge.  There will be no change for lessors as the classification of operating and finance leases remains unchanged. |
| AASB 1058 *Income of Not-for-Profit Entities* | AASB 1058 standard will replace the majority of income recognition in relation to government grants and other types of contributions requirements relating to public sector not-for-profit entities, previously in AASB 1004 *Contributions*.  The restructure of administrative arrangement will remain under AASB 1004 and will be restricted to government entities and contributions by owners in a public sector context,  AASB 1058 establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objective.  .. | 1 Jan 2019 | The current revenue recognition for grants is to recognise revenue up front upon receipt of the funds.  This may change under AASB 1058, as capital grants for the construction of assets will need to be deferred. Income will be recognised over time, upon completion and satisfaction of performance obligations for assets being constructed, or income will be recognised at a point in time for acquisition of assets.  The revenue recognition for operating grants will need to be analysed to establish whether the requirements under other applicable standards need to be considered for recognition of liabilities (which will have the effect of deferring the income associated with these grants). Only after that analysis would it be possible to conclude whether there are any changes to operating grants.  The impact on current revenue recognition of the changes is the phasing and timing of revenue recorded in the profit and loss statement. |
| AASB 1059 *Service Concession Arrangements: Grantor* | This standard applies to arrangements that involve an operator providing a public service on behalf of a public sector grantor. It involves the use of a service concession asset and where the operator manages at least some of the public service at its own direction. An arrangement within the scope of this standard typically involves an operator constructing the asset used to provide the public service or upgrading the assets and operating and maintaining the assets for a specified period of time.  The State has 2 types of PPPs:   1. Social Infrastructure: A PPP that requires the government to make payments to the operator upon commencement of services:  * Operator finances and constructs the infrastructure; and * State pays unitary service payments over the term.  1. Economic Infrastructure: A PPP that is based on user pays model:  * Operator finances and constructs the infrastructure; * State does not pay for the cost of the construction; and * Operator charges asset users and recovers the cost of construction and operation for the term of the contract. | 1 January 2019 | For an arrangement to be in scope of AASB 1059 all of the following requirements are to be satisfied:   * Operator is providing public services using a service concession asset; * Operator manages at ‘least some’ of public services under its own discretion; * The State controls / regulates:   + What services are to be provided;   + To whom; and   + At what price * State controls any significant residual interest in the asset.   If the arrangement does not satisfy all the above requirements the recognition will fall under the requirements of another applicable accounting standard.  Currently the social infrastructure PPPs are only recognised on the balance sheet at commercial acceptance. The arrangement will need to be progressively recognised as and when the asset is being constructed. This will have the impact of progressively recognising the financial liability and corresponding asset as the asset is being constructed.  For economic infrastructure PPP arrangements, that were previously not on balance sheet, the standard will require recognition of these arrangements on balance sheet. There will be no impact to net debt, as a deferred revenue liability will be recognised and amortised over the concession term. |
| AASB 17 *Insurance Contracts* | The new Australian standard eliminates inconsistencies and weaknesses in existing practices by providing a single principle‑based framework to account for all types of insurance contracts, including reissuance contract that an insurer holds. It also provides requirements for presentation and disclosure to enhance comparability between entities.  This standard does not apply to the not-for-profit public sector entities. The AASB is undertaking further outreach to consider the application of this standard to the not-for-profit public sector. | 1 January 2021 | The assessment has indicated that there will be no significant impact for the public sector. |

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 2017-18 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 2016-5 *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 2017-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 4*
* AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments
* AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections
* AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation
* AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures
* AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015 – 2017 Cycle
* AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendments, Curtailment or Settlement

Notes:

1. For the current year, given the number of consequential amendments to AASB 9 *Financial Instruments* AASB 15 *Revenue from Contracts with Customers*, and AASB 16 *Leases the* standards/interpretations have been grouped together to provide a more relevant view of the upcoming changes.