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| FRD 7B |  |  | Early adoption of authoritative accounting pronouncements (January 2016) |
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| Purpose |  | 1.1 | To prescribe the requirements and provide guidance regarding early adoption of an authoritative accounting pronouncement. |
| Application |  | 2.1 | Applies to all entities defined as either a public body or a department under section 3 of the *Financial Management Act* *1994*. |
| Operative date |  | 3.1 | Reporting periods commencing 1 July 2015. |
|  |  | 3.2 | FRD 7A *Early Adoption of Authoritative Accounting Pronouncements* is withdrawn and superseded effective 1 July 2015. |
| Requirements |  | 4.1 | An entity must not early adopt an authoritative accounting pronouncement such as an Australian accounting standard and Urgent Issues Group Consensus View except in rare circumstances where early adoption is appropriate, subject to approval as outlined below. |
|  |  | 4.2 | An entity must obtain approval from the Minister for Finance prior to the early adoption of a pronouncement (refer to Procedure below). |
|  |  | 4.3 | Where an entity is permitted to early adopt a pronouncement, it must apply all the requirements of the pronouncement. Consequently, an entity must not selectively apply sections of a pronouncement. |
| Procedure |  | 5.1 | An entity must, in writing, seek the Minister for Finance’s approval to early adopt an accounting pronouncement and include the following information in its request:  nature and reason for the early adoption; and  a comparison of the financial effects of applying the existing pronouncement and the early adoption. |
|  |  | 5.2 | The request should be forwarded to the Director, Budget and Financial Management, DTF, at least one month prior to the commencement of the relevant reporting period. |
|  |  | 5.3 | In certain circumstances the Minister for Finance may direct the general early adoption of an authoritative pronouncement. |
| Background |  |  | AASB 1 *First‑time Adoption of Australian Equivalents to International Financial Reporting Standards* paragraph 8 permits an entity to apply a new Standard that is not yet mandatory if that Standard permits early application. However it is noted that the early adoption of a pronouncement prior to consultation and approval may result in inconsistent application and/or non‑compliance with the required accounting policies and financial reporting requirements across the Victorian public sector. |
|  |  |  | In January 2016, FRD 7B was issued to remove references to FRD 101 *First Time Adoption* and AASB 1 *First‑time Adoption of Australian Equivalents to International Financial Reporting Standards* as all Victorian public sector entities have completed the transition to Australian Equivalents to International Financial Reporting Standards. |