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| FRD 120M |  |  | Accounting and Reporting Pronouncements Applicable to the 2018-19 Reporting Period (June 2019) |
|  |  |  |  |
| 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on, or after, 1 July 2018.FRD 120L *Accounting and Reporting Pronouncements Applicable to 2017-18 Reporting Period* is superseded and withdrawn effective 1 July 2018. |
| 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 Assistant Treasurer 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 Directions and Financial Reporting Directions that are applicable to the 2018 -19 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 A

## Currently effective Australian accounting and reporting pronouncements

|  |  |  |
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| Framework | Issued/Amended1 | Conceptual framework title |
| CF | Jun 2014 | Framework for the Preparation and Presentation of Financial Statements |
| SAC 1 | Aug 1990 | Definition of the Reporting Entity |

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| --- | --- | --- |
| AASB | Issued/Amended1 | Australian Accounting Standards Board’s Standards (AASB) title |
| 1 | Dec 2017 | First-time Adoption of Australian Accounting Standards2 |
| 2 | Dec 2017 | Share-based Payment3 |
| 3 | Aug 2015 | Business Combinations3 |
| 4 | Jul 2017 | Insurance Contracts3 |
| 5 | Aug 2015 | Non-current Assets Held for Sale and Discontinued Operations |
| 6 | Aug 2015 | Exploration for and Evaluation of Mineral Resources3 |
| 7 | Dec 2017 | Financial Instruments: Disclosures  |
| 8 | Nov 2015 | Operating Segments3 |
| 9 | Dec 2014 | Financial Instruments4 |
| 10 | Dec 2017 | Consolidated Financial Statements |
| 11 | Jul 2015 | Joint Arrangements |
| 12 | Feb 2017 | Disclosure of Interests in Other Entities |
| 13 | Aug 2015 | Fair Value Measurement |
| 14 | June 2014 | Regulatory Deferral Accounts3 |
| 101 | Aug 2015 | Presentation of Financial Statements  |
| 102 | Jul 2015 | Inventories  |
| 107 | Mar 2016 | Statement of Cash Flows  |
| 108 | Aug 2015 | Accounting Policies, Changes in Accounting Estimates and Errors  |
| 110 | Dec 2017 | Events after the Reporting Period  |
| 111 | Dec 2016 | Construction Contracts5 |
| 112 | Aug 2015 | Income Taxes  |
| 116 | Oct 2015 | Property, Plant and Equipment  |
| 117 | Aug 2015 | Leases6 |
| 118 | Dec 2016 | Revenue5 |
| 119 | Aug 2015 | Employee Benefits  |
| 120 | Aug 2015 | Accounting for Government Grants and Disclosure of Government Assistance  |
| 121 | Aug 2015 | The Effects of Changes in Foreign Exchange Rates  |
| 123 | Aug 2015 | Borrowing Costs  |
| 124 | Jul 2015 | Related Party Disclosures |
| 127 | Aug 2015 | Separate Financial Statements  |
| 128 | Dec 2017 | Investments in Associate and Joint Ventures  |
| 129 | Aug 2015 | Financial Reporting in Hyperinflationary Economies  |
| 132 | Aug 2015 | Financial Instruments: Presentation  |
| 133 | Nov 2015 | Earnings per Share3 |
| 134 | Dec 2017 | Interim Financial Reporting  |
| 136 | Aug 2015 | Impairment of Assets  |
| 137 | Aug 2015 | Provisions, Contingent Liabilities and Contingent Assets  |
| 138 | Oct 2015 | Intangible Assets  |
| 139 | Jun 2014 | Financial Instruments: Recognition and Measurement  |
| 140 | Feb 2017 | Investment Property3 |
| 141 | Aug 2015 | Agriculture  |
| 1004 | Jan 2015 | Contributions7 |
| 1023 | Dec 2017 | General Insurance Contracts3 |
| 1038 | Dec 2013 | Life Insurance Contracts3 |
| 1039 | Jan 2015 | Concise Financial Reports3 |
| 1048 | Dec 2017 | 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 entities3 |
| 1057 | Nov 2015 | Application of Australian Accounting Standards |

Notes:

1. The issued/amended dates incorporate compilations and amendments (including editorial changes) made to the Accounting Standards/Conceptual Framework.

2. This standard (compiled Dec 2017) only applies to the for-profit entities for periods beginning on or after 1 January 2018. For the not-for-profit entities, the previous version of this standard (amended Oct 2015) still applies until periods beginning on or after 1 January 2019.

3. This standard may not be relevant to all Victorian public sector entities.

4. This standard (issued in Dec 2014) has become operative for reporting periods beginning on or after 1 January 2018.

5. These standards have been superseded for the 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 periods beginning on or after 1 January 2019.

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

7. Government grants and other types of contributions contained within AASB 1004 *Contributions* will be replaced by AASB 1058 *Income of Not-for-Profit Entities* for periods beginning on or after 1 January 2019. AASB 1004 will be restricted to contributions by owners in a public-sector context.

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| AI | Issued/Amended1 | Australian Accounting Standards Board’s Standards (AASB) title |
| 1 | Jul 2015 | Changes in Existing Decommissioning, Restoration and Similar Liabilities  |
| 2 | Jul 2015 | Members’ Shares in Co-operative Entities and Similar Instruments2  |
| 4 | Aug 2015 | Determining whether an Arrangement contains a Lease3   |
| 5 | Aug 2015 | 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*  |
| 10 | Aug 2015 | Interim Financial Reporting and Impairment  |
| 12 | Aug 2015 | Service Concession Arrangements2   |
| 13 | Dec 2016 | Customer Loyalty Programmes2,4 |
| 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 | Aug 2015 | Hedges of a Net Investment in a Foreign Operation2  |
| 17 | Aug 2015 | Distributions of Non-cash Assets to Owners2  |
| 18 | Dec 2016 | Transfers of Assets from Customers2 |
| 19 | Aug 2015 | Extinguishing Financial Liabilities with Equity Instruments |
| 20 | Aug 2015 | Stripping Costs in the Production Phase of a Surface Mine2 |
| 21 | Aug 2015 | Levies |
| 22 | Feb 2017 | Foreign Currency Transactions and Advance Consideration2 |
| 107 | Aug 2015 | Introduction of the Euro2  |
| 110 | Aug 2015 | Government Assistance – No Specific Relation to Operating Activities  |
| 115 | Aug 2015 | Operating Leases – Incentives3  |
| 125 | Aug 2015 | Income Taxes – Changes in the Tax Status of an Entity or its Shareholders  |
| 127 | Aug 2015 | Evaluating the Substance of Transactions Involving the Legal Form of a Lease3 |
| 129 | Aug 2015 | Service Concession Arrangements: Disclosures  |
| 131 | Dec 2016 | Revenue – Barter Transactions Involving Advertising Services4  |
| 132 | Oct 2015 | Intangible Assets – Web Site Costs  |
| 1003 | Dec 2013 | Australian Petroleum Resource Rent Tax2  |
| 1019 | Dec 2013 | The Superannuation Contributions Surcharge2  |
| 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 Industry2,4  |
| 1047 | Dec 2013 | Professional Indemnity Claims Liabilities in Medical Defence Organisations2  |
| 1052 | Dec 2013 | Tax Consolidation Accounting2 |
| 1055 | Dec 2013 | Accounting for Road Earthworks  |

Notes:

1. The issued/amended dates incorporate compilations and amendments (including editorial changes) made to the Accounting Standards/Conceptual Framework.

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

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

4. This Interpretation has been superseded for the for-profit entities by AASB 15 *Revenue from Contracts with Customers* for periods beginning on or after 1 January 201. 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 periods beginning on or after 1 January 2019.

|  |  |  |
| --- | --- | --- |
| SD | Issued/Amended1 | Standing Directions 2018 Under the Financial Management Act 1994 |
| 1 | Dec 2018 | Purpose and application  |
| 2 | Dec 2018 | Roles and responsibilities  |
| 3 | Mar 2019 | Governance  |
| 4 | Mar 2019 | Delivering services  |
| 5 | Dec 2018 | Compliance and reporting  |

Note:

1. The issued/amended dates incorporate amendments (including editorial changes) made to the Standing Directions. Further detail on the changes to sections of the Standing Directions are included on page iii of the Standing Directions.

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| --- | --- | --- |
| FRD | Issued/Amended | Financial Reporting Directions |
| 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 |
| 25D | May 2019 | 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 |
| 103H | May 2019 | 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 |
| 114C | May 2019 | Financial instruments1 |
| 117A | Jun 2016 | Contributions of existing non-financial assets to third parties |
| 118C | Jun 2016 | Land under declared roads |
| 119A | May 2019 | Transfers through contributed capital |
| 120M | May 2019 | Accounting and reporting pronouncements applicable to the 2018-19 reporting period |

Note:

1. This FRD supersedes FRD 116A Financial instruments – public financial corporations, effective for reporting periods on or after 1 January 2019.

# 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 2018-19 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.

|  |  |  |  |
| --- | --- | --- | --- |
| Standard/ Interpretation | Summary | Applicable for annual reporting periods beginning on | Impact on public sector entity financial statements |
| 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 for Not-for-Profit entities. | 1 Jan 2019 | 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. Revenue from grants that are provided under an enforceable agreement that have sufficiently specific obligations, will now be deferred and recognised as the performance obligations attached to the grant are satisfied. |
| AASB 2018-4 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not‑for-Profit Public-Sector Licensors* | AASB 2018-4 amends AASB 15 and AASB 16 to provide guidance for revenue recognition in connection with taxes and Non-IP licences for Not-for-Profit entities.  | 1 Jan 2019 | AASB 2018-4 provides additional guidance for not-for-profit public sector licenses, which include:* Matters to consider in distinguishing between a tax and a license, with all taxes being accounted for under AASB 1058;
* IP licenses to be accounted for under AASB 15; and
* Non-IP, such as casino licenses, are to be accounted for in accordance with the principles of AASB 15 after first having determined whether any part of the arrangement should be accounted for as a lease under AASB 16.
 |
| 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 most 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 2018-8 *Amendments to Australian Accounting Standards – Right of Use Assets of Not-for-Profit entities* | This standard amends various other accounting standards to provide an option for not-for-profit entities to not apply the fair value initial measurement requirements to a class or classes of right of use assets arising under leases with significantly below-market terms and conditions principally to enable the entity to further its objectives. This Standard also adds additional disclosure requirements to AASB 16 for not-for-profit entities that elect to apply this option. | 1 Jan 2019 | Under AASB 1058, not-for-profit entities are required to measure right-of-use assets at fair value at initial recognition for leases that have significantly below-market terms and conditions. For right-of-use assets arising under leases with significantly below market terms and conditions principally to enable the entity to further its objectives (peppercorn leases), AASB 2018-8 provides a temporary option for Not-for-Profit entities to measure at initial recognition, a class or classes of right-of-use assets at cost rather than at fair value and requires disclosure of the adoption. The State has elected to apply the temporary option in AASB 2018-8 for not-for-profit entities to not apply the fair value provisions under AASB 1058 for these right-of-use assets. In making this election, the State considered that the methodology of valuing peppercorn leases was still being developed. |
| AASB 1058 *Income of Not-for-Profit Entities* | AASB 1058 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 | Grant revenue is currently recognised up front upon receipt of the funds under AASB 1004 *Contributions*.The timing of revenue recognition for grant agreements that fall under the scope of AASB 1058 may be deferred. For example, revenue from capital grants for the construction of assets will need to be deferred and recognised progressively as the asset is being constructed.The impact on current revenue recognition of the changes is the potential phasing and deferral of revenue recorded in the operating statement. |
| 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 currently does not apply to the not-for-profit public sector entities. | 1 January 2021 | The assessment has indicated that there will be no significant impact for the public sector. |
| AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material* | This Standard principally amends AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments refine and clarify the definition of material in AASB 101 and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendments also include some supporting requirements in AASB 101 in the definition to give it more prominence and clarify the explanation accompanying the definition of material. | 1 Jan 2020 | The standard is not expected to have a significant impact on the public sector. |
| 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.  | 1 January 2020(The State is intending to early adopt AASB 1059 for annual reporting periods beginning on or after 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. |
| AASB 2018-5 *Amendments to Australian Accounting Standards – Deferral of AASB 1059* | This standard defers the mandatory effective date of AASB 1059 from 1 January 2019 to 1 January 2020. | 1 January 2020(The State is intending to early adopt AASB 1059 for annual reporting periods beginning on or after 1 January 2019) | This standard defers the mandatory effective date of AASB 1059 for periods beginning on or after 1 January 2019 to 1 January 2020. As the State has elected to early adopt AASB 1059, the financial impact will be reported in the financial year ending 30 June 2019, rather than the following year. |

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 2018-19 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 2017-1 *Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-16 Cycle and Other Amendments*
* AASB 2017-4 *Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments*
* 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*
* AASB 2018-3 *Amendments to Australian Accounting Standards – Reduced Disclosure Requirements*
* AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*