

## TREASURY ANALYSIS – AASB 2007-9

**AASB 2007-9 Amendments to Australian Accounting Standards arising from the Review of AASs 27, 29 and 31 (December 2007) relocates certain requirements from AAS 27, AAS 29 and AAS 31 into existing topic-based Standards and also makes consequential amendments.**

### Major impacts of changes

- AASB 2007-9 (December 2007) relocates certain requirements from AAS 27, AAS 29 and AAS 31 into existing topic-based Standards and also makes consequential amendments.
- The Standard clarifies that *for-profit* government departments are outside the scope of both AASB 8 *Operating Segments* and AASB 114 *Segment Reporting* and may not always be able to comply with IFRSs. However, in practice this should have minimal impact, if any, because *for-profit* government departments in NSW are rare.

### Key features of Standard

- AASB 2007-9 applies to annual reporting periods beginning on or after 1 July 2008 (i.e. years ending on or after 30 June 2009, for 30 June year-end entities).
- The Standard specifies that property, plant and equipment includes infrastructure, cultural, community and heritage assets and provides guidance on heritage assets.
- AASB 2007-9 incorporates guidance from AAS 31 *Financial Reporting by Governments* on the concept of control in the public sector.
- A summary of the above and other amendments follows:

Standard Amended	Amendment/s
AASB 3 <i>Business Combinations</i>	<ul style="list-style-type: none"> <li>• Definition of reporting entity is extended to explicitly encompass local governments, governments and most, if not all, government departments.</li> <li>• Restructures of administrative arrangements are outside the scope of AASB 3. These are covered in AASB 1004 <i>Contributions</i>.</li> </ul>
AASB 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	<p>Consequential amendments to reflect that:</p> <ul style="list-style-type: none"> <li>• AASB 5 does not apply to the restructuring of administrative arrangements and</li> <li>• AASB 5 does not apply to the administered activities of government departments.</li> </ul>
AASB 8 <i>Operating Segments</i>	<ul style="list-style-type: none"> <li>• Clarifies that <i>for-profit</i> government departments are outside the scope of AASB 8 (in addition to not-for-profit government departments).</li> </ul>
AASB 101 <i>Presentation of Financial Statements</i>	<ul style="list-style-type: none"> <li>• Consequential amendments dealing with circumstances where compliance with AASs by <i>for-profit</i> government departments will not lead to compliance with IFRSs.</li> </ul>
AASB 114 <i>Segment Reporting</i>	<ul style="list-style-type: none"> <li>• Clarifies that <i>for-profit</i> government departments are outside the scope of AASB 114 (in addition to not-for-profit government departments).</li> <li>• Acknowledges the disaggregated reporting requirements in AASB 1052 <i>Disaggregated Disclosures</i> and AASB 1049 <i>Whole of Government and General Government Sector Financial Reporting</i>.</li> </ul>
AASB 116 <i>Property, Plant and Equipment</i>	<ul style="list-style-type: none"> <li>• Specifies that property, plant and equipment includes infrastructure, cultural, community and heritage assets.</li> <li>• Re heritage and cultural assets: <ul style="list-style-type: none"> <li>§ Heritage and cultural assets acquired at no cost or for a nominal cost are initially recognised at fair value as at the date of acquisition and it may not be possible to reliably measure the fair value.</li> <li>§ Revaluation for those assets that can be reliably measured is permitted, but not required and</li> </ul> </li> </ul>

	<p>§ Heritage and cultural assets may not have limited useful lives and therefore may not be subject to depreciation, irrespective of the measurement basis. However, they would be subject to impairment testing when there is an indication of impairment.</p>
AASB 127 <i>Consolidated and Separate Financial Statements</i>	<p>Amendments incorporate AAS 31 guidance on the concept of control in the public sector:</p> <ul style="list-style-type: none"> <li>• Control of another entity by a government may be indicated if the other entity is accountable to Parliament, or to the Executive, or to a particular Minister, or if the government has the residual financial interest in the net assets of the other entity.</li> <li>• Factors are discussed that help assess whether control exists and situations are identified where a government does not control another entity.</li> <li>• Clarification that a government does not have to have responsibility over the day-to-day operations of an entity or the manner in which professional functions are performed by the entity for control to exist.</li> </ul>
AASB 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i>	<p>Amendments incorporate AAS 29 / AAS 31 guidance regarding obligations arising from government's existing public policies, budget policies, election promises or statements of intent:</p> <ul style="list-style-type: none"> <li>• There is no present binding obligation for an intention to make payments. Eligibility criteria need to be satisfied or services need to be provided for an obligation to exist.</li> <li>• A government may have a liability for providing financial aid after a disaster, where government has little discretion to avoid the sacrifice of future economic benefits. However, liability only recognised when amount of aid can be reliably measured.</li> </ul>
<p><b>Main differences applicable for 2008/09 compared to 2007/08</b></p> <ul style="list-style-type: none"> <li>• The application of administrative restructures has been clarified, as discussed above. (Also refer Treasury Analyses on AASB 1004 and Interpretation 1038.)</li> <li>• Heritage and cultural assets are now specifically covered in Australian Accounting Standards. However, there is no real impact as, in Treasury's Asset Valuation Policy (TPP 07-1), heritage assets were already taken to be subject to AASB 116 and guidance was provided which is largely consistent with the new amendments.</li> </ul>	
<p><b>Impact on the public sector</b></p> <ul style="list-style-type: none"> <li>• There is no major impact on the public sector because, for the most part, the Standard carries forward the existing requirements of AAS 29 and AAS 31.</li> </ul>	
<p><b>Policy and implementation issues</b></p> <ul style="list-style-type: none"> <li>• <i>For-profit</i> government departments should note that they are not subject to AASB 8 <i>Operating Segments</i> or AASB 114 <i>Segment Reporting</i> and that there may be circumstances where compliance with AASs will not lead to compliance with IFRSs. However, in NSW <i>for-profit</i> government departments are rare.</li> <li>• Agencies with heritage or cultural assets should confirm they are complying with the requirements in AASB 116. Treasury's Asset Valuation Policy (TPP 07-1) will also be amended for consistency.</li> <li>• Agencies should note that this Standard has been issued following a short-term review by the AASB. A longer-term review may result in further amendments.</li> </ul>	
<p>This summary has been written in general terms and is intended for reference only. Agencies should review the contents of the AASB Standard to determine its application in particular circumstances.</p>	