

TREASURY ANALYSIS – INTERNATIONAL ACCOUNTING STANDARDS

AASB 110 “Events after the balance sheet date” replaces AASB 1002 and AAS 8 “Events occurring after the reporting date”

Major impacts of changes

- Requires that only dividends declared (appropriately authorised) before the reporting date can be recognised. This is more restrictive than raising a valid expectation under AASB 1044.
- Requires additional disclosures, including the date financial statements are authorised.

Key features of Standard

- AASB 110 substantially replicates the requirements of AASB 1002 and AAS 8, except for the areas discussed under “main differences” below.

Main differences compared to current Australian requirements

- *Dividends*
If dividends are declared (ie the dividends are appropriately authorised and no longer at the discretion of the entity) after the reporting date, the entity shall not recognise those dividends as a liability at the reporting date (paras 12 & 13). This is because the dividends do not meet the criteria of a ‘present obligation’ in AASB 137 (para 13). This is a change from AASB 1044 *Provisions* which stated that provisions should be raised where an event created ‘valid expectations’ that an obligation would be settled.
- *Disclosures*
Entities are required to disclose the date when the financial report was authorised for issue and who gave the authorisation (eg the Board or Department Head) (para 17).

Impact on the public sector

- NSW public sector policy for *dividends* is set out in TPP 02-03 *Financial Distribution Policy for Government Businesses* and discussed in Treasury Circular NSWTC 03/02 *Accounting for Dividends*. Agreements between the Minister (shareholder) and the boards of the entities (Statements of Corporate Intent (SCI) or Statements of Business Intent (SBI)) are signed before the reporting date. Therefore, such dividends are appropriately authorised and no longer at the discretion of the entity before the reporting date. A change in the amount of the dividend after the reporting date would constitute an ‘adjusting event after the reporting date’ under AASB 110. TC 03/02 will be amended to reflect the changed wording in AASB110, compared to ‘creating valid expectations’ under AASB 1044 *Provisions*.

Policy and Implementation issues

- The current dividend policy does not appear to require a change of substance but will be updated to confirm compliance with AASB 110.

This summary has been written in general terms and is intended for general reference only. Agencies should review the contents of the AASB Standard to determine its application in particular circumstances.