

# Straight away

## IFRS bulletin from PwC

### Disclosures required in interim financial statements on the initial adoption of AASB 15

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#### At a glance

AASB 15 is required to be applied for annual reporting periods beginning on or after 1 January 2018. Many entities will be required to issue interim financial statements under AASB 134 *Interim Financial Reporting* before they issue their first annual financial statements applying AASB 15.

Regulators, investors and other stakeholders might focus on disclosures related to the adoption of AASB 15.

#### What is the issue?

#### What disclosures are required in interim financial statements in the year in which AASB 15 is adopted?

AASB 15 made consequential amendments to AASB 134 that require disclosure of:

- the recognition or reversal of an impairment loss from assets arising from contracts with customers, as an additional example of the events and transactions for which disclosures would be required if they are significant, and
- the 'disaggregation of revenue from contracts with customers' required by paragraphs 114 to 115 of AASB 15.

In addition to complying with these specific requirements in each interim report, entities should comply with paragraph 16A(a) of AASB 134, which requires a description of the nature and effect of any changes to their accounting policies and methods as compared with the most recent annual financial statements.

#### What is the impact and for whom?

The extent of the disclosures will depend on an entity's circumstances. Entities apply judgement to determine the extent of the disclosure, taking into consideration, for example:

- the requirements or expectations of local regulators: entities should consider any guidance issued by regulators that might require specific disclosures or information to be included in interim reports; some regulators might require all of the disclosures required in annual financial statements to be included in the interim report; for instance, the European Securities and Markets Authority has stated that it expects the disclosures required by paragraph C8 of IFRS 15 to be provided where the modified retrospective transition approach is adopted, and
- the significance of the changes: the extent of disclosures might vary depending on the effect on the financial statements of the initial adoption of AASB 15; disclosures might be less extensive where the impact is not qualitatively or quantitatively material.

The disclosures might include:

- a description of the nature and effect of the change resulting from the new accounting policies (this disclosure is required by paragraph 16A(a) of AASB 134)
- the key judgements made by management in applying AASB 15
- details of the impact on the amounts presented in the interim financial statements, including earnings per share and the opening balance of retained earnings
- the transition method selected, together with any transitional practical expedients applied (entities that elect to apply the modified retrospective transition approach should consider whether the requirements of paragraph C8 of AASB 15 for annual financial statements could be used to explain the nature and effect of the change in accounting policy), and
- disclosures specific to the entity – entities should consider whether the requirements in paragraph 28 of AASB 108, which will be applicable for the annual financial statements, could be used to explain the nature and effect of the change in accounting policy when AASB 15 is first applied.

Entities should also consider whether any of the detailed disclosures required by AASB 15 in annual financial statements are useful to comply with the requirements of AASB 134, although these disclosures are not mandatory in interim reports.

### **When does it apply?**

AASB 15 is applicable for annual reporting periods beginning on or after 1 January 2018. Any interim financial statements issued before the first annual financial statements applying AASB 15 will need to consider the above guidance.

Further reading: [Value Accounts Holdings - June 2018 interim financial report](#).

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