



AASB 101 Presentation of Financial Statements

This standard sets out the overall requirements for the presentation of general purpose financial statements (financial statements), guidelines for their structure and minimum requirements for their content. This ensures comparability with both an entity's financial statements of previous reporting periods and with the financial statements of other entities.

What is included in a set of financial statements under the Standard and the RO Act?

Components of a set of financial statements

Under AASB 101 a complete set of financial statements includes the following:

- Statement of financial position
- Statement of profit or loss and other comprehensive income
- Statement of cash flows (refer to AASB 107 Statement of Cash Flows)
- Statement of changes in equity
- Notes comprising significant accounting policies and other explanations
- Third statement of financial position and associated notes (where required)

The [reporting guidelines](#) for the purposes of section 253 of the *Fair Work (Registered Organisations) Act 2009* (RO Act) specify that the following statements are to form part of a reporting unit's financial statements:



Fair Work
Commission



Committee of management



Subsection 255(2A) report



Officer declaration statement



Remember that the committee of management statement, subsection 255(2A) report and, if applicable, the officer declaration statement all form part of the auditor's scope and **must** be audited each financial year.

Key features of the Standard

The table below highlights some of the key features of AASB 101 that reporting units should consider and disclose within their financial statements. The [model financial statements](#) can assist with the key requirements of both the Australian Accounting Standards and the RO Act.

Key feature	Description
Fair presentation of financial statements	<p>Financial statements shall present fairly the financial position, financial performance and cash flows of an entity.</p> <p>Information must be presented for both the current and previous reporting period for all amounts reported in the financial statements (unless otherwise permitted).</p> <p>Assets and liabilities should be split between current/non-current.</p> <p>Paragraph 54 lists the line items to be included in the statement of financial position.</p> <p>Paragraph 82 lists line items to be included in the statement of comprehensive income.</p>



Key feature	Description
Notes to the financial statements	<p>The notes shall present information about the basis of preparation of the financial statements including:</p> <ul style="list-style-type: none">• the specific accounting policies used for significant line items, including measurement bases adopted and judgements management has made in applying the accounting policies; and• key assumptions and estimates that may affect the carrying amounts of assets and liabilities <p>The notes should also include any other specific disclosures which are required by other Australian Accounting Standards and/or is relevant to understand the financial statements.</p>
Basis of accounting	<p>Financial statements, except for cash flow information, must be prepared using the accrual basis of accounting.</p> <p>Accrual basis of accounting means that transactions are reported in the financial statements of the period to which they relate, that is, not when cash is received or paid but when the effects of transactions occur.</p>
Materiality and aggregation of transactions	<p>Each material class of similar items should be presented separately in the financial statements.</p> <p>Items of a dissimilar nature or function should be presented separately unless they are immaterial.</p>



Key feature	Description
Offsetting	<p>Offsetting assets/liabilities or income/expenses is prohibited unless required or permitted by an Australian Accounting Standard.</p> <p>Measuring assets net of valuation allowances, such as allowance for doubtful debts, is not offsetting.</p>
Going concern	<p>Financial statements shall be prepared on a going concern basis unless management intends either to liquidate the reporting unit or to cease trading.</p> <p>Management should assess the ability of the reporting unit to continue as a going concern. If aware of any material uncertainties relating to events/conditions that may cast significant doubt on the ability to continue as a going concern then the reporting unit must disclose those uncertainties.</p>

So what does a reporting unit need to consider?

1. Management of a reporting unit are responsible for ensuring that information within a financial report is:
 - relevant;
 - reliable;
 - understandable; and
 - comparable.
2. The purpose of financial statements is to provide useful information to a wide range of users.
Management of a reporting unit will need to decide:
 - what is enough information to disclose;



- when is it necessary to provide additional disclosures; and
- the assessment of the materiality (or immateriality) of specific line items when deciding on the level of disclosure required.

A resource available to reporting units is from the Australian Accounting Standards Board, which provides guidance on making materiality judgements when preparing financial statements is [Practice Statement 2 Making Materiality Judgements](#).

3. Management of a reporting unit must review the notes to the financial statements to ensure:

- they are presented systematically; and
- that material items on the face of the primary statements are cross-referenced to the notes.

4. Management must ensure that when the financial statements are **not** prepared on a going concern basis:

- this fact is disclosed;
- the basis on which the financial statements are prepared is disclosed; and
- the reason why the reporting unit is not regarded as a going concern is disclosed.