NOTES TO THE FINANCIAL STATEMENTS

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

2.1 Changes in accounting policies

The following accounting policy changes occurred during the year ended 30 June 2014:

(a) Consolidated Financial Statements and Separate Financial Statements

AASB 10: “Consolidated Financial Statements” revises the definition of control and related application guidance so that a single control model can be applied to all entities. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

We adopted AASB 10 on a retrospective basis from 1 July 2013, along with the entire suite of consolidation and related standards.

We have reviewed our investments in other entities to assess whether the conclusion to consolidate is different under AASB 10 than under the previous accounting standard AASB 127: “Consolidated and Separate Financial Statements”. No material differences were found and therefore no adjustments are required as a result of the adoption of AASB 10. Investments accounted for as subsidiaries under AASB 127 continue to meet the revised definition of control under AASB 10 and therefore continue to be consolidated in the Group's financial statements. Investments accounted for as associates under the previous accounting standard AASB 128: “Investments in Associates” have been assessed against the revised control definition and there are no material changes in the accounting treatment for these investments.

We also adopted revised AASB 127: “Separate Financial Statements” from 1 July 2013. However, there is no impact to the Group as we already comply with the requirements in this standard. AASB 127 only applies to the separate financial statements of Telstra Entity and some of the Group's subsidiaries.

(b) Joint Arrangements and Investments in Associates and Joint Ventures

AASB 11: “Joint Arrangements” has revised the definition types of joint arrangements, focusing on the rights and obligations of the arrangement, rather than its legal form.

The definition types have been consolidated into joint ventures (previously referred to as jointly controlled entities) and joint operations (previously referred to as jointly controlled assets and jointly controlled operations). Furthermore, the accounting treatment options for joint venture arrangements have been removed to eliminate inconsistent treatments. Equity accounting is mandatory for joint ventures and proportionate consolidation can no longer be used.

We adopted this standard on a retrospective basis from 1 July 2013, along with the entire suite of consolidation and related standards.

We have reviewed our joint arrangements to assess whether the revised definition types under AASB 11 change the way we account for these compared to the previous standard AASB 131: “Interests in Joint Ventures”. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 11.

The assessment of our previously classified jointly controlled entities shows that none give us direct rights over assets or obligations to settle liabilities, such that they should be classified as joint operations. Therefore, all of these jointly controlled entities have been classified as joint ventures and, given that our accounting policy under AASB 131 for jointly controlled entities was to use the equity accounting method, we have continued to equity account these joint ventures under AASB 11.

On adoption, we did not have any jointly controlled assets or jointly controlled operations, now referred to as joint operations. Overall, there has been no impact on the measurement of any of our joint arrangements.

We also adopted AASB 128: “Investments in Associates and Joint Ventures” from 1 July 2013. There has been no impact to our financial results as a result of this new standard.

(c) Disclosure of Interests in Other Entities

AASB 12: “Disclosure of Interests in Other Entities” is a new standard on disclosure requirements for all forms of interests in investments, including subsidiaries, associates, joint arrangements and consolidated and unconsolidated structured entities.

We also adopted AASB 12 on a retrospective basis from 1 July 2013, along with the entire suite of consolidation and related standards. We have assessed the disclosure requirements under AASB 12 and additional disclosures for material joint ventures are included in our financial report. Refer to note 26 for further details.

There are no measurement impacts from the adoption of this standard.

(d) Fair Value Measurement

We adopted AASB 13: “Fair Value Measurement” from 1 July 2013 on a prospective basis. It is a new standard providing a single source of guidance for all fair value measurements and a precise definition of fair value. AASB 13 replaces all fair value measurement guidance in Australian Accounting Standards and Interpretations (with some exceptions, including share-based payments and leases) but does not replace existing standard requirements on when fair values should be used.

We have assessed the new guidance and definition of fair value against our previous fair value measurements of assets and liabilities and there is no change to how we measure fair value. We use exit prices and, where possible, observable market-based inputs to determine fair value.