

Accounting Standard

AASB 2007-3

February 2007

Amendments to Australian Accounting Standards arising from AASB 8

**[AASB 5, AASB 6, AASB 102,
AASB 107, AASB 119, AASB 127,
AASB 134, AASB 136, AASB 1023
& AASB 1038]**



Australian Government

**Australian Accounting
Standards Board**

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Australian Accounting Standard AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8* is set out in paragraphs 1 – 18. All the paragraphs have equal authority.

PREFACE

Standards Amended by AASB 2007-3

This Standard makes amendments to the following Australian Accounting Standards:

1. AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*;
2. AASB 6 *Exploration for and Evaluation of Mineral Resources*;
3. AASB 102 *Inventories*;
4. AASB 107 *Cash Flow Statements*;
5. AASB 119 *Employee Benefits*;
6. AASB 127 *Consolidated and Separate Financial Statements*;
7. AASB 134 *Interim Financial Reporting*;
8. AASB 136 *Impairment of Assets*;
9. AASB 1023 *General Insurance Contracts*; and
10. AASB 1038 *Life Insurance Contracts*.

These amendments arise from the issuance in February 2007 of AASB 8 *Operating Segments*, which is the Australian equivalent to IFRS 8 *Operating Segments*. AASB 8 supersedes AASB 114 *Segment Reporting*. The consequential amendments to other existing Standards are identified in this amending Standard.

Main Features of this Standard

Application Date

This Standard is applicable to annual reporting periods beginning on or after 1 January 2009 with early adoption permitted for annual reporting periods beginning on or after 1 January 2005 but before 1 January 2009 provided AASB 8 is also adopted early for the same period. This Standard shall be applied when AASB 8 is applied.

Main Requirements

The issuance of AASB 8 necessitates consequential amendments to AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 and AASB 1038. For example, references to AASB 114 *Segment Reporting* are replaced with references to AASB 8 *Operating Segments*, and language drawn from AASB 114 is replaced with that compatible with AASB 8.

The Standard also deletes segment information requirements included in AASB 1023 and AASB 1038.

ACCOUNTING STANDARD AASB 2007-3

The Australian Accounting Standards Board makes Accounting Standard AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8* under section 334 of the *Corporations Act 2001*.

Dated 26 February 2007

D.G. Boymal
Chair – AASB

ACCOUNTING STANDARD AASB 2007-3

AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS ARISING FROM AASB 8

Objective

1. The objective of this Standard is to make amendments to:
 - (a) *AASB 5 Non-current Assets Held for Sale and Discontinued Operations*;
 - (b) *AASB 6 Exploration for and Evaluation of Mineral Resources*;
 - (c) *AASB 102 Inventories*;
 - (d) *AASB 107 Cash Flow Statements*;
 - (e) *AASB 119 Employee Benefits*;
 - (f) *AASB 127 Consolidated and Separate Financial Statements*;
 - (g) *AASB 134 Interim Financial Reporting*;
 - (h) *AASB 136 Impairment of Assets*;
 - (i) *AASB 1023 General Insurance Contracts*; and
 - (j) *AASB 1038 Life Insurance Contracts*;

as a consequence of the issuance of AASB 8 *Operating Segments* in February 2007.

Application

- 2. In respect of AASB 107, this Standard applies to:**
 - (a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act;**
 - (b) general purpose financial reports of each reporting entity; and**
 - (c) financial reports that are, or are held out to be, general purpose financial reports.**
- 3. In respect of AASB 134, this Standard applies to:**
 - (a) each disclosing entity required to prepare half-year financial reports in accordance with Part 2M.3 of the Corporations Act;**
 - (b) interim financial reports that are general purpose financial reports of each other reporting entity; and**
 - (c) interim financial reports that are, or are held out to be, general purpose financial reports.**
- 4. In respect of AASB 5, AASB 6, AASB 102, AASB 119, AASB 127, AASB 136, AASB 1023 and AASB 1038, this Standard applies to:**
 - (a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;**
 - (b) general purpose financial reports of each other reporting entity; and**
 - (c) financial reports that are, or are held out to be, general purpose financial reports.**
- 5. This Standard applies to annual reporting periods beginning on or after 1 January 2009.**
- 6. This Standard may be applied to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2009 provided that AASB 8 *Operating Segments* is also applied to that period. This Standard shall be applied when AASB 8 is applied.**

When an entity applies this Standard to such an annual reporting period, it shall disclose that fact.

Amendment to AASB 5

7. Paragraph 41(d) is amended to read as follows:
41. An entity shall disclose the following information in the notes in the period in which a non-current asset (or disposal group) has been either classified as held for sale or sold:
- ...
- (d) if applicable, the reportable segment in which the non-current asset (or disposal group) is presented in accordance with AASB 8 *Operating Segments*.

Amendment to AASB 6

8. Paragraph 21 is amended to read as follows:
- 21. An entity shall determine an accounting policy for allocating exploration and evaluation assets to cash-generating units or groups of cash-generating units for the purpose of assessing such assets for impairment. Each cash-generating unit or group of units to which an exploration and evaluation asset is allocated shall not be larger than an operating segment determined in accordance with AASB 8 *Operating Segments*.**

Amendments to AASB 102

9. Paragraphs 26 and 29 are amended to read as follows:
26. For example, inventories used in one operating segment may have a use to the entity different from the same type of inventories used in another operating segment. However, a difference in geographical location of inventories (or in the respective tax rules), by itself, is not sufficient to justify the use of different cost formulas.
29. Inventories are usually written down to net realisable value item by item. In some circumstances, however, it may be appropriate to group similar or related items. This may be the case with items of inventory relating to the same product line that have similar purposes or end uses, are produced and marketed in the same geographical area, and cannot be practicably evaluated

separately from other items in that product line. It is not appropriate to write inventories down on the basis of a classification of inventory, for example, finished goods, or all the inventories in a particular operating segment. Service providers generally accumulate costs in respect of each service for which a separate selling price is charged. Therefore, each such service is treated as a separate item.

Amendment to AASB 107

10. Paragraph 50(d) is amended to read as follows:

50. Additional information may be relevant to users in understanding the financial position and liquidity of an entity. Disclosure of this information, together with a commentary by management, is encouraged and may include:

...

(d) the amount of the cash flows arising from the operating, investing and financing activities of each reportable segment (see AASB 8 *Operating Segments*).

Amendment to AASB 119

11. The first sentence in the **Example Illustrating Paragraph 115** is amended to read as follows:

An entity discontinues an operating segment and employees of the discontinued segment will earn no further benefits ...

Amendment to AASB 127

12. In paragraph 20, “AASB 114 *Segment Reporting*” is replaced by “AASB 8 *Operating Segments*”.

Amendment to AASB 134

13. Paragraph 16(g) is amended to read as follows:

16. An entity shall include the following information, as a minimum, in the notes in its interim financial report, if material and if not disclosed elsewhere in the interim financial report. The information shall normally be reported on a financial year-to-date basis. However, the entity shall

also disclose any events or transactions that are material to an understanding of the current interim period:

...

- (g) the following segment information (disclosure of segment information is required in an entity's interim financial report only if AASB 8 *Operating Segments* requires that entity to disclose segment information in its annual financial report):
- (i) revenues from external customers, if included in the measure of segment profit or loss reviewed by the chief operating decision maker or otherwise regularly provided to the chief operating decision maker;
 - (ii) intersegment revenues, if included in the measure of segment profit or loss reviewed by the chief operating decision maker or otherwise regularly provided to the chief operating decision maker;
 - (iii) a measure of segment profit or loss;
 - (iv) total assets for which there has been a material change from the amount disclosed in the last annual financial report;
 - (v) a description of differences from the last annual financial report in the basis of segmentation or in the basis of measurement of segment profit or loss;
 - (vi) a reconciliation of the total of the reportable segments' measures of profit or loss to the entity's profit or loss before tax expense (tax income) and discontinued operations. However, if an entity allocates to reportable segments items such as tax expense (tax income), the entity may reconcile the total of the segments' measures of profit or loss to profit or loss after those items. Material reconciling items shall be separately identified and described in that reconciliation;

...

Amendments to AASB 136

14. Paragraph 80(b) is amended to read as follows:
- 80. For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated shall:**
- ...
- (b) not be larger than an operating segment determined in accordance with AASB 8 *Operating Segments*.**
15. Paragraph 129 is amended to read as follows:
- 129. An entity that reports segment information in accordance with AASB 8 shall disclose the following for each reportable segment:**
- ...
16. Subparagraphs 130(c)(ii), (d)(i) and (d)(ii) are amended to read as follows:
- 130. An entity shall disclose the following for each material impairment loss recognised or reversed during the period for an individual asset, including goodwill, or a cash-generating unit:**
- ...
- (c) for an individual asset:**
- ...
- (ii) if the entity reports segment information in accordance with AASB 8, the reportable segment to which the asset belongs;**
- (d) for a cash generating unit:**

- (i) a description of the cash generating unit (such as whether it is a product line, a plant, a business operation, a geographical area, or a reportable segment as defined in AASB 8);
- (ii) the amount of the impairment loss recognised or reversed by class of assets and, if the entity reports segment information in accordance with AASB 8, by reportable segment; and

...

Amendments to AASB 1023

17. The heading “Segment Information” and paragraphs 17.5 and 17.5.1 are deleted and notes added as follows:

17.5 [Deleted by the AASB]

17.5.1 [Deleted by the AASB]

Amendment to AASB 1038

18. The heading “Geographical segments” and paragraph 18.2.2 are deleted and a note added as follows:

18.2.2 [Deleted by the AASB]

APPENDIX

Attention is also drawn to the following amendment to the Implementation Guidance of IAS 36 *Impairment of Assets* which is set out in the Appendix to the IFRS 8 Implementation Guidance:

IGA2 In the Illustrative Examples accompanying IAS 36 *Impairment of Assets*, paragraph IE80 is amended to read as follows:

IE80 Entity M is a multinational manufacturing firm that uses geographical segments for reporting segment information. M's three reportable segments are Europe, North America and Asia. Goodwill has been allocated for impairment testing purposes to three individual cash-generating units—two in Europe (units A and B) and one in North America (unit C)—and to one group of cash-generating units (comprising operation XYZ) in Asia. Units, A, B and C and operating XYZ each represent the lowest level within M at which the goodwill is monitored for internal management purposes.