

ERRATUM

Proportionate Consolidation

The Australian Accounting Standards Board (AASB) made Accounting Standard AASB 2007-4 *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments* on 30 April 2007. That Standard inserted into AASB 131 *Interests in Joint Ventures* the option to use proportionate consolidation for accounting for interests in jointly controlled entities. Subsequently, a number of references to proportionate consolidation that were not added via AASB 2007-4 to other Standards (and Interpretations) have been identified. This Erratum inserts those references into those pronouncements.

This Erratum amends the following Australian Accounting Standards and Interpretations:

1. AASB 101 *Presentation of Financial Statements*;
2. AASB 107 *Cash Flow Statements*;
3. AASB 121 *The Effects of Changes in Foreign Exchange Rates*;
4. AASB 127 *Consolidated and Separate Financial Statements*; and
5. Interpretation 113 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*.

Consistent with the application date of AASB 2007-4, this Erratum applies to annual reporting periods beginning on or after 1 July 2007, with early adoption permitted for annual reporting periods beginning on or after 1 January 2005 but before 1 July 2007.

The amendments in this Erratum will be included in compiled versions of the pronouncements.



Amendments to AASB 101

| <i>Paragraph affected</i> | <i>How affected</i> |
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| 110 | The following sentence is added after the second sentence: “An example is disclosure of whether a venturer recognises its interest in a jointly controlled entity using proportionate consolidation or the equity method (see AASB 131 <i>Interests in Joint Ventures</i>).” |

Amendments to AASB 107

| <i>Paragraph affected</i> | <i>How affected</i> |
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| 38 | The paragraph is amended to read as follows: “An entity which reports its interest in a jointly controlled entity (see AASB 131 <i>Interests in Joint Ventures</i>) using proportionate consolidation, includes in its consolidated cash flow statement its proportionate share of the jointly controlled entity’s cash flows. An entity which reports such an interest using the equity method includes in its cash flow statement the cash flows in respect of its investments in the jointly controlled entity, and distributions and other payments or receipts between it and the jointly controlled entity.” |

Amendments to AASB 121

| <i>Paragraph affected</i> | <i>How affected</i> |
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| 3(b) | The paragraph is amended to read as follows: “in translating the results and financial position of foreign operations that are included in the financial report of the entity by consolidation, proportionate consolidation or the equity method; and” |

| <i>Paragraph affected</i> | <i>How affected</i> |
|---------------------------|---|
| 33 | The last sentence is amended to read as follows: “Such exchange differences are reclassified to the separate component of equity in the financial statements that include the foreign operation and the reporting entity (i.e. financial statements in which the foreign operation is consolidated, proportionately consolidated or accounted for using the equity method).” |
| 44 | The paragraph is amended to read as follows: “Paragraphs 45-47, in addition to paragraphs 38-43, apply when the results and financial position of a foreign operation are translated into a presentation currency so that the foreign operation can be included in the financial statements of the reporting entity by consolidation, proportionate consolidation or the equity method.” |
| 46 | The last sentence is amended to read as follows: “The same approach is used in applying the equity method to associates and joint ventures and in applying proportionate consolidation to joint ventures in accordance with AASB 128 <i>Investments in Associates</i> and AASB 131.” |

Amendments to AASB 127

| <i>Paragraph affected</i> | <i>How affected</i> |
|---------------------------|---|
| IG7 | The first sentence is amended to read as follows: “AASB 139 <i>Financial Instruments: Recognition and Measurement</i> does not apply to interests in subsidiaries, associates and jointly controlled entities that are consolidated, accounted for using the equity method or proportionately consolidated in accordance with AASB 127, AASB 128 and AASB 131 respectively.” |

Amendments to Interpretation 113

| <i>Paragraph affected</i> | <i>How affected</i> |
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| 4 | The paragraph is amended to read as follows: “This Interpretation deals with the venturer’s accounting for non-monetary contributions to a JCE in exchange for an equity interest in the JCE that is accounted for using either the equity method or proportionate consolidation.” |
| 7 | The paragraph is amended to read as follows: “Unrealised gains or losses on non-monetary assets contributed to JCEs shall be eliminated against the underlying assets under the proportionate consolidation method or against the investment under the equity method. Such unrealised gains or losses shall not be presented as deferred gains or losses in the venturer’s consolidated balance sheet.” |