Accounting Standard **AASB 2007-4**
April 2007

Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments

[AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038]

Australian Government

Australian Accounting Standards Board

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Australian Accounting Standard AASB 2007-4 *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments* is set out in paragraphs 1 – 109. All the paragraphs have equal authority.

PREFACE

Standards Amended by AASB 2007-4

This Standard makes amendments to the following Australian Accounting Standards:

1. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*;
2. AASB 2 *Share-based Payment*;
3. AASB 3 *Business Combinations*;
4. AASB 4 *Insurance Contracts*;
5. AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*;
6. AASB 6 *Exploration for and Evaluation of Mineral Resources*;
7. AASB 7 *Financial Instruments: Disclosures*;
8. AASB 102 *Inventories*;
9. AASB 107 *Cash Flow Statements*;
10. AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*;
11. AASB 110 *Events after the Balance Sheet Date*;
12. AASB 112 *Income Taxes*;
13. AASB 114 *Segment Reporting*;
14. AASB 116 *Property, Plant and Equipment*;
15. AASB 117 *Leases*;
16. AASB 118 *Revenue*;
17. AASB 119 *Employee Benefits*;
18. AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*;

19. AASB 121 *The Effects of Changes in Foreign Exchange Rates*;
20. AASB 127 *Consolidated and Separate Financial Statements*;
21. AASB 128 *Investments in Associates*;
22. AASB 129 *Financial Reporting in Hyperinflationary Economies*;
23. AASB 130 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*;
24. AASB 131 *Interests in Joint Ventures*;
25. AASB 132 *Financial Instruments: Disclosure and Presentation*;
26. AASB 132 *Financial Instruments: Presentation*;
27. AASB 133 *Earnings per Share*;
28. AASB 134 *Interim Financial Reporting*;
29. AASB 136 *Impairment of Assets*;
30. AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*;
31. AASB 138 *Intangible Assets*;
32. AASB 139 *Financial Instruments: Recognition and Measurement*;
33. AASB 141 *Agriculture*;
34. AASB 1023 *General Insurance Contracts*; and
35. AASB 1038 *Life Insurance Contracts*.

Main Features of this Standard

Application Date

This Standard is applicable 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.

An entity adopting this Standard early must adopt the whole Standard early.

Main Requirements

These amendments arise as a result of the AASB decision that, in principle, all options that currently exist under IFRSs should be included in the Australian equivalents to IFRSs and additional Australian disclosures should be eliminated, other than those now considered particularly relevant in the Australian reporting environment. The AASB outlined its proposals in Exposure Draft ED 151 *Australian Additions to, and Deletions from, IFRSs*, which was issued in November 2006, and considered constituents' responses to ED 151 in early 2007.

This Standard makes a number of key amendments, including:

- inserting the option to use the indirect method for presenting cash flow statements under AASB 107 *Cash Flow Statements*;
- removing the commentary from AASB 119 Employee Benefits that Australia does not have a sufficiently active and liquid market for high quality corporate bonds for the purposes of discounting employee benefit liabilities, and including a paragraph requiring not-for-profit public sector entities to use market yields on government bonds to discount such liabilities;
- inserting the options in AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* to record non-monetary grants at nominal amounts and to present assets and expenses net of related grants;
- amending the definition of 'separate financial statements' in AASB 127 *Consolidated and Separate Financial Statements*, AASB 128 *Investments in Associates*, AASB 131 *Interests in Joint Ventures*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts* to be the same as the IFRS definition;
- inserting the option to use proportionate consolidation for investments in joint venture entities under AASB 131; and

- removing many of the additional Australian disclosure requirements in a number of Standards, including AASB 130 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*, AASB 131, and AASB 134 *Interim Financial Reporting*.

When an entity adopts an accounting policy that is available as a result of the amendments made by this Standard, it applies AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. Accordingly, an entity wishing to change its existing accounting policies to use a newly available treatment, needs to meet the criterion set out in paragraph 14(b) of AASB 108 in relation to changes in accounting policy.

Other Amendments

This Standard also makes numerous editorial amendments to a range of Standards to reflect changes made to the text of IFRSs by the IASB. These editorial amendments have no substantive impact on the requirements in the amended Standards.

ACCOUNTING STANDARD AASB 2007-4

The Australian Accounting Standards Board makes Accounting Standard AASB 2007-4 *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments* under section 334 of the *Corporations Act 2001*.

D.G. Boymal
Dated 30 April 2007 Chair – AASB

ACCOUNTING STANDARD AASB 2007-4

AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS ARISING FROM ED 151 AND OTHER AMENDMENTS

Objective

1. The objective of this Standard is to make amendments to:

   (a) AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*;

   (b) AASB 2 *Share-based Payment*;

   (c) AASB 3 *Business Combinations*;

   (d) AASB 4 *Insurance Contracts*;

   (e) AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*;

   (f) AASB 6 *Exploration for and Evaluation of Mineral Resources*;

   (g) AASB 7 *Financial Instruments: Disclosures*;

   (h) AASB 102 *Inventories*;

   (i) AASB 107 *Cash Flow Statements*;

   (j) AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*;

(k) AASB 110 *Events after the Balance Sheet Date*;

(l) AASB 112 *Income Taxes*;

(m) AASB 114 *Segment Reporting*;

(n) AASB 116 *Property, Plant and Equipment*;

(o) AASB 117 *Leases*;

(p) AASB 118 *Revenue*;

(q) AASB 119 *Employee Benefits*;

(r) AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*;

(s) AASB 121 *The Effects of Changes in Foreign Exchange Rates*;

(t) AASB 127 *Consolidated and Separate Financial Statements*;

(u) AASB 128 *Investments in Associates*;

(v) AASB 129 *Financial Reporting in Hyperinflationary Economies*;

(w) AASB 130 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*;

(x) AASB 131 *Interests in Joint Ventures*;

(y) AASB 132 *Financial Instruments: Disclosure and Presentation*;

(z) AASB 132 *Financial Instruments: Presentation*;

(aa) AASB 133 *Earnings per Share*;

(bb) AASB 134 *Interim Financial Reporting*;

(cc) AASB 136 *Impairment of Assets*;

(dd) AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*;

(ee) AASB 138 *Intangible Assets*;

(ff) AASB 139 *Financial Instruments: Recognition and Measurement*;

(gg) AASB 141 *Agriculture*;

(hh) AASB 1023 *General Insurance Contracts*; and

(ii) AASB 1038 *Life Insurance Contracts*;

as a consequence of a review of Australian equivalents to International Financial Reporting Standards.

Application

2. In respect of AASB 101, AASB 107 and AASB 108, 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 120, this Standard applies to:

(a) each for-profit 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 for-profit reporting entity; and

(c) financial reports of a for-profit entity that are, or are held out to be, general purpose financial reports.

4. In respect of AASB 130, this Standard applies to:

(a) each bank and similar financial institution (subsequently referred to as a bank) 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 bank; and

(c) financial reports of banks that are, or are held out to be, general purpose financial reports.

5. In respect of AASB 133, this Standard applies to each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is:

(a) a reporting entity whose ordinary shares or potential ordinary shares are publicly traded; or

(b) a reporting entity that is in the process of issuing ordinary shares or potential ordinary shares in public markets; or

(c) an entity that discloses earnings per share.

6. 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.

7. In respect of AASB 1038, this Standard applies to each entity that is:

(a) a life insurer; or

(b) the parent in a group that includes a life insurer;

when the entity:

(c) is a reporting entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act;

(d) is an other reporting entity and prepares general purpose financial reports; or

(e) prepares financial reports that are, or are held out to be, general purpose financial reports.

8. In respect of AASB 1, AASB 2, AASB 3, AASB 4, AASB 5, AASB 6, AASB 7, AASB 102, AASB 110, AASB 112, AASB 114, AASB 116, AASB 117, AASB 118, AASB 119, AASB 121, AASB 127, AASB 128, AASB 129, AASB 131, AASB 132, AASB 136, AASB 137, AASB 138, AASB 139, AASB 141 and AASB 1023, 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.

9. This Standard applies to annual reporting periods beginning on or after 1 July 2007.

10. This Standard may be applied to annual reporting periods beginning on or after 1 January 2005 but before 1 July 2007.

Amendments to AASB 1

11. At the end of paragraph 25 the following sentence is added:

25 … Similarly, if a parent becomes a first-time adopter for its separate financial statements earlier or later than for its consolidated financial statements, it shall measure its assets and liabilities at the same amounts in both financial statements, except for consolidation adjustments.

12. Paragraphs Aus25D.1, Aus34B.1 and Aus36.1 are deleted.

13. Paragraph 34B is added as follows:

34B An entity with a date of transition to Australian equivalents to IFRSs before 1 January 2005 shall apply the transitional provisions of AASB 5. An entity with a date of transition to Australian equivalents to IFRSs on or after 1 January 2005 shall apply AASB 5 retrospectively.

14. Paragraph B2(c)(i) of Appendix B is amended to read as follows:

(i) the first-time adopter may have classified a past business combination as an acquisition and recognised as an intangible asset an item that does not qualify for recognition as an asset under AASB 138. It shall reclassify that item (and, if any, the related deferred tax and minority interests) as part of goodwill (unless it deducted goodwill directly from equity under previous GAAP, see paragraph B2(g)(i) and B2(i)).

15. Footnote 1 to paragraph B2(c)(ii) of Appendix B is amended to read as follows:

1 Such changes include reclassifications from or to intangible assets if goodwill was not recognised under previous GAAP as an asset. This arises if, under previous GAAP, the entity (a) deducted goodwill directly from equity or (b) did not treat the business combination as an acquisition.

16. Paragraph B2(i) of Appendix B is added as follows:

(i) If the first-time adopter recognised goodwill under previous GAAP as a deduction from equity:

(i) it shall not recognise that goodwill in its opening Australian-equivalents-to-IFRSs balance sheet. Furthermore, it shall not transfer that goodwill to the income statement if it disposes of the subsidiary or if the investment in the subsidiary becomes impaired;

(ii) adjustments resulting from the subsequent resolution of a contingency affecting the purchase consideration shall be recognised in retained earnings.

17. The following editorial amendments are made to AASB 1 and the accompanying Implementation Guidance:

Paragraph affected	*How affected*
7	'**paragraphs 13-34**' is replaced with '**paragraphs 13-34B, 36A-36C and 37**'
9	Reference to paragraph 'Aus34B.1' is replaced with '34B'
10	'paragraphs 13-34' is replaced with 'paragraphs 13-34B and 36A-36C'

Paragraph affected	*How affected*
12(a)	‘paragraphs 13-25H’ is replaced with ‘paragraphs 13-25H and 36A-36C’
13(i)	‘(paragraphs 25D and Aus25D.1)’ is replaced with ‘(paragraph 25D)’
20A	‘by AASB 119 as issued in December 2004 paragraph 120A(p) as the amounts’ is replaced with ‘by paragraph 120A(p) of AASB 119 as the amounts’ ‘transition date’ is replaced with ‘date of transition to Australian equivalents to IFRSs’
Sub-heading above paragraph 25F	‘Determining whether an arrangement contains a lease’ is deleted
26(a)	‘paragraph 27’ is replaced with ‘paragraphs 27 and 27A’
26(d)	Reference to paragraph ‘Aus34B.1’ is replaced with ‘34B’
35	‘This Standard’ is replaced with ‘Except as described in paragraphs 36A-37, this Standard’
36	‘*Presentation of Financial Statements*’ is deleted
36A(c)	‘*Accounting Policies, Changes in Accounting Estimates and Errors*’ is deleted
Heading above paragraph 37	‘**Historical summaries**’ is replaced with ‘**Non-Australian-equivalents-to-IFRSs comparative information and historical summaries**’
45	‘*Interim Financial Reporting*’ is deleted
B2(g)(iii) of Appendix B	‘*Impairment of Assets*’ is deleted
IG20	‘(paragraph 32 of AASB 1)’ is replaced with ‘(paragraph 33 of AASB 1)’
Background (c) in IG Example 2	‘date of acquisition’ is replaced with ‘acquisition date’
IG26	‘that it controls’ is replaced with ‘(as defined in AASB 127)’

Paragraph affected	*How affected*
IG56(c)	The first sentence is amended to read as follows: '… (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).' The second sentence is amended to read as follows: 'The result is that an entity measures at fair value all derivative financial assets and derivative financial liabilities that are not financial guarantee contracts.'
IG58A	The second sentence is amended to read as follows: 'Because all derivatives, other than those that are financial guarantee contracts or are designated and effective hedging instruments, are classified as … (other than for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).'
IG Example 11 (note 3)	'Profit (loss)' is replaced with '**Profit (loss) for the year**'

Amendment to AASB 2

18. The following editorial amendment is made to the Implementation Guidance accompanying AASB 2:

Paragraph affected	*How affected*
IG12	'paragraph IG5' is replaced with 'paragraph IG13'

Amendments to AASB 3

19. The following editorial amendments are made to AASB 3 and the accompanying Illustrative Examples:

Paragraph affected	*How affected*
4	At the end of the paragraph, 'date of acquisition' is replaced with 'acquisition date'

Paragraph affected	*How affected*
49	'*Financial Instruments: Recognition and Measurement*' is deleted
B8 of Appendix B	'*Consolidated and Separate Financial Statements*' is deleted
B16(g) of Appendix B	'*Intangible Assets*' is deleted
B16(i) of Appendix B	'*Income Taxes*' is deleted
B3 of Illustrative Examples	In the second paragraph, 'date of acquisition' is replaced with 'acquisition date'

Amendments to AASB 4

20. The following editorial amendments are made to AASB 4 and the accompanying Implementation Guidance:

Paragraph affected	*How affected*
3	The text is amended to read as follows: '... (see AASB 132 *Financial Instruments: Presentation*, AASB 139 *Financial Instruments: Recognition and Measurement* and AASB 7), …'
4(d)	The text is amended to read as follows: '… the issuer may elect to apply either AASB 139, AASB 132 and AASB 7 or AASB 1023 to such financial guarantee contracts. …'
17(b)	'*Provisions, Contingent Liabilities and Contingent Assets*' is deleted
31	'*Business Combinations*' is deleted
33	'*Intangible Assets*' is deleted
35(d)	'paragraph 19(b)' is replaced with 'paragraph 20(b)'
B7(c) of Appendix B	'*Provisions, Contingent Liabilities and Contingent Assets*' is deleted
B18(g) of Appendix B	Footnote is added to the references to AASB 132 as follows:

Paragraph affected	*How affected*
	'When an entity applies AASB 7, the reference to AASB 132 is replaced by a reference to AASB 7.'
B18(h) of Appendix B	'*Revenue*' and '*Provisions, Contingent Liabilities and Contingent Assets*' are deleted
IG Example 2	In the last column of Item 2.14, 'AASB 39' is replaced with 'AASB 139'
IG Example 3	In the first table, '2.22' is replaced with '2.21' for year 3 interest In the last table, '(30)' is replaced with '30' for the total of additional payments in case 2
IG Example 5	The 'Total' column in the table, '1,713 (547) 1,166' is amended to read as follows: '1,661 (542) 1,119'

Amendments to AASB 5

21. Paragraphs Aus42.1-43 are added to AASB 5, after the heading 'Transitional Provisions', as follows:

    Aus42.1 The following transitional paragraph shall not be applied by entities that have previously applied this Standard, unless required to do so by another Australian equivalent to IFRSs.

    43 The Standard shall be applied prospectively to non-current assets (or disposal groups) that meet the criteria to be classified as held for sale and operations that meet the criteria to be classified as discontinued after the effective date of the Standard. An entity may apply the requirements of the Standard to all non-current assets (or disposal groups) that meet the criteria to be classified as held for sale and operations that meet the criteria to be classified as discontinued after any date before the application date of the Standard, provided the valuations and other

information needed to apply the Standard were obtained at the time those criteria were originally met.

22. The following editorial amendment is made to AASB 5:

Paragraph affected	*How affected*
28	In the first sentence, 'income' is replaced with 'profit or loss'

Amendment to AASB 6

23. The following editorial amendment is made to AASB 6:

Paragraph affected	*How affected*
9	In the first sentence, 'determine a policy' is replaced with 'determine an accounting policy'

Amendments to AASB 7

24. The following editorial amendments are made to AASB 7:

Paragraph affected	*How affected*
Heading above 43	'Effective Date of AASB 7' is replaced with 'Effective Date of IFRS 7'
B26 of Appendix B	The first sentence is amended to read as follows: 'Two examples of financial instruments that give rise to equity price risk are (a) a holding of equities in another entity and (b) an investment in a trust that in turn holds investments in equity instruments.'
D1 of Appendix D	In paragraph 11(b), 'believes to be relevant.' is replaced with 'believes are relevant.'

Amendment to AASB 102

25. The following editorial amendment is made to AASB 102:

Paragraph affected	*How affected*
2(b)	The text is amended to read as follows: ‘financial instruments (see AASB 132 *Financial Instruments: Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*); and’

Amendments to AASB 107

26. Paragraph 18 is amended to read as follows:

18. An entity shall report cash flows from operating activities using either:

(a) the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed; or

(b) the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

27. Paragraph 19 is amended to read as follows:

19. Entities are encouraged to report cash flows from operating activities using the direct method. The direct method provides information which may be useful in estimating future cash flows and which is not available under the indirect method. Under the direct method, information about major classes of gross cash receipts and gross cash payments may be obtained either:

(a) from the accounting records of the entity; or

(b) by adjusting sales, cost of sales (interest and similar income and interest expense and similar charges for a financial institution) and other items in the income statement for:

(i) changes during the period in inventories and operating receivables and payables;

(ii) other non-cash items; and

(iii) other items for which the cash effects are investing or financing cash flows.

28. Paragraph 20 is amended to read as follows:

20. Under the indirect method, the net cash flow from operating activities is determined by adjusting profit or loss for the effects of:

(a) changes during the period in inventories and operating receivables and payables;

(b) non-cash items such as depreciation, provisions, deferred taxes, unrealised foreign currency gains and losses, undistributed profits of associates, and minority interests; and

(c) all other items for which the cash effects are investing or financing cash flows.

Alternatively, the net cash flow from operating activities may be presented under the indirect method by showing the revenues and expenses disclosed in the income statement and the changes during the period in inventories and operating receivables and payables.

29. Paragraphs Aus20.1 and Aus20.2 are amended to read as follows:

Aus20.1 When an entity uses the direct method, a reconciliation of cash flows arising from operating activities to profit or loss shall be disclosed in the financial report.

Aus20.2 Notwithstanding paragraph Aus20.1, not-for-profit entities that use the direct method and that highlight the net cost of services in their income statement for the reporting period shall disclose in the financial report a reconciliation of cash flows arising from operating activities to net cost of services as reported in the income statement.

30. Paragraph 34 is amended to read as follows:

34. Dividends paid may be classified as a financing cash flow because they are a cost of obtaining financial resources. Alternatively, dividends paid may be classified as a component of cash flows from operating activities in order to assist users to determine the ability of an entity to pay dividends out of operating cash flows.

31. Paragraph 50(b) is added 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:

…

(b) the aggregate amounts of the cash flows from each of operating, investing and financing activities related to interests in joint ventures reported using proportionate consolidation;

…

32. The heading 'ILLUSTRATIVE EXAMPLES' is deleted, and parts 'A' and 'B' of the illustrative examples are retitled as 'Appendix A' and 'Appendix B' respectively.

33. The illustrative indirect method cash flow statement is added to Appendix A, after the direct method cash flow statement and before the notes, as follows:

Indirect Method Cash Flow Statement (paragraph 18(b))

		20-2
Cash flows from operating activities		
Profit before taxation	3,350	
Adjustments for:		
Depreciation	450	
Foreign exchange loss	40	
Investment income	(500)	
Interest expense	400	
	3,740	

Increase in trade and other receivables	(500)	
Decrease in inventories	1,050	
Decrease in trade payables	(1,740)	
Cash generated from operations	2,550	
Interest paid	(270)	
Income taxes paid	(900)	
Net cash from operating activities		1,380
Cash flows from investing activities		
Acquisition of subsidiary X net of cash acquired (Note 1)	(550)	
Purchase of property, plant and equipment (Note 2)	(350)	
Proceeds from sale of equipment	20	
Interest received	200	
Dividends received	200	
Net cash used in investing activities		(480)
Cash flows from financing activities		
Proceeds from issue of share capital	250	
Proceeds from long-term borrowings	250	
Payment of finance lease liabilities	(90)	
Dividends paid[(a)]	(1,200)	
Net cash used in financing activities		(790)
Net increase in cash and cash equivalents		110
Cash and cash equivalents at beginning of period (Note 3)		120
Cash and cash equivalents at end of period (Note 3)		230

(a) This could also be shown as an operating cash flow.

34. An alternative presentation under the indirect method is added at the end of Appendix A, as follows:

Alternative Presentation (Indirect Method)

As an alternative, in an indirect method cash flow statement, operating profit before working capital changes is sometimes presented as follows:

Revenues excluding investment income	30,650	
Operating expense excluding depreciation	(26,910)	
Operating profit before working capital changes		3,740

35. The following editorial amendments are made to AASB 107 and the accompanying Appendices:

Paragraph affected	*How affected*
6	In the definition of *Financing activities*, 'contributed capital' is replaced with 'contributed equity'
Appendix A rubric	The rubric is amended to read as follows: '*This appendix accompanies, but is not part of, AASB 107.*'
Appendix A, paragraph 2	In the first sentence, 'under the direct method and reconciliation of cash flows from operating activities to profit or loss' is replaced with 'under the direct method and indirect method, and the reconciliation of cash flows from operating activities to profit or loss,'
Appendix A, paragraph 3	In the last bullet point, 'the' is added before 'end of 20-2'

Paragraph affected	*How affected*
Appendix A Cash Flow Statement	The heading of the direct cash flow statement is amended to 'Direct Method Cash Flow Statement (paragraph 18(a))' In the direct cash flow statement, a footnote is added to the item 'Dividends paid', to read as follows: '(a) This could also be shown as an operating cash flow.' The heading 'Notes to the Cash Flow Statement (direct method)' is amended to 'Notes to the Cash Flow Statement (Direct Method and Indirect Method)'
Appendix A, Note 5	The note 5 heading '**5. Reconciliation of Net Cash provided by Operating Activities to Profit or Loss (see paragraph Aus20.1)**' is replaced with the heading '**Reconciliation of Net Cash provided by Operating Activities to Profit or Loss (Direct Method – see paragraph Aus20.1)**'
Appendix B	Under the heading 'Appendix B', a rubric is added as follows: '*This appendix accompanies, but is not part of, AASB 107.*'

Amendment to AASB 108

36. The following editorial amendment is made to AASB 108:

Paragraph affected	*How affected*
5	In the definition of *Prior period errors*, paragraphs (a) and (b) are amended to read as follows: '(a) was available when financial reports for those periods were authorised for issue; and (b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial reports.'

Amendments to AASB 110

37. Paragraph Aus6.1 is deleted.

38. The following editorial amendment is made to AASB 110:

Paragraph affected	*How affected*
20	'*Provisions, Contingent Liabilities and Contingent Assets*' is deleted

Amendments to AASB 112

39. Paragraph 33 is amended to read as follows:

33. One case when a deferred tax asset arises on initial recognition of an asset is when a non-taxable government grant related to an asset is deducted in arriving at the carrying amount of the asset but, for tax purposes, is not deducted from the asset's depreciable amount (in other words its tax base); the carrying amount of the asset is less than its tax base and this gives rise to a deductible temporary difference. Government grants may also be set up as deferred income in which case the difference between the deferred income and its tax base of nil is a deductible temporary difference. Whichever method of presentation an entity adopts, the entity does not recognise the resulting deferred tax asset, for the reason given in paragraph 22.

40. Paragraph Aus80.1 is deleted.

41. Paragraph 81(c) is amended to read as follows:

81. The following shall also be disclosed separately:

…

(c) an explanation of the relationship between tax expense (income) and accounting profit in either or both of the following forms:

(i) a numerical reconciliation between tax expense (income) and the product of accounting profit multiplied by the applicable tax rate(s),

disclosing also the basis on which the applicable tax rate(s) is (are) computed; or

(ii) **a numerical reconciliation between the average effective tax rate and the applicable tax rate, disclosing also the basis on which the applicable tax rate is computed;**

…

42. The illustrative disclosure in Example 2 of Appendix B is amended to read as follows:

…

Explanation of the relationship between tax expense and accounting profit (paragraph 81(c))

The Standard permits two alternative methods of explaining the relationship between tax expense (income) and accounting profit. Both of these formats are illustrated below.

(i) a numerical reconciliation between tax expense (income) and the product of accounting profit multiplied by the applicable tax rate(s), disclosing also the basis on which the applicable tax rate(s) is (are) computed

	X5	*X6*
Accounting profit	8,775	8,740
Tax at the applicable tax rate of 35% (X5: 40%)	3,510	3,059
Tax effect of expenses that are not deductible in determining taxable profit:		
Charitable donations	200	122
Fines for environmental pollution	280	–
Reduction in opening deferred taxes resulting from reduction in tax rate	–	(1,127)
Tax expense	3,990	2,054

The applicable tax rate is the aggregate of the national income tax rate of 30% (X5: 35%) and the local income tax rate of 5%.

(ii) a numerical reconciliation between the average effective tax rate and the applicable tax rate, disclosing also the basis on which the applicable tax rate is computed

	X5	*X6*
	%	%
Applicable tax rate	40.0	35.0
Tax effect of expenses that are not deductible for tax purposes:		
Charitable donations	2.3	1.4
Fines for environmental pollution	3.2	–
Effect on opening deferred taxes of reduction in tax rate	–	(12.9)
Average effective tax rate (tax expense divided by profit before tax)	45.5	23.5

The applicable tax rate is the aggregate of the national income tax rate of 30% (X5: 35%) and the local income tax rate of 5%.

An explanation of changes in the applicable tax rate(s) compared to the previous accounting period (paragraph 81(d))

In X6, the government enacted a change in the national income tax rate from 35% to 30%.

In respect of each type of temporary difference, and in respect of each type of unused tax losses and unused tax credits:

(i) the amount of the deferred tax assets and liabilities recognised in the balance sheet for each period presented;

(ii) the amount of the deferred tax income or expense recognised in the income statement for each period presented, if this is not apparent from the changes in the amounts recognised in the balance sheet (paragraph 81(g))

	X5	*X6*
Accelerated depreciation for tax purposes	9,720	10,322
Liabilities for health care benefits that are deducted for tax purposes only when paid	(800)	(1,050)
Product development costs deducted from taxable profit in earlier years	100	–

Revaluation, net of related depreciation	–	10,573
Deferred tax liability	9,020	19,845

(note: the amount of the deferred tax income or expense recognised in the income statement for the current year is apparent from the changes in the amounts recognised in the balance sheet)

43. The following editorial amendments are made to AASB 112:

Paragraph affected	*How affected*
22	In the second sentence, 'the initial recognition of the asset.' is replaced with 'the initial recognition of the asset or liability.'
Heading above paragraph 37	'**Re-assessment**' is replaced with '**Reassessment**'
37	're-assesses' is replaced with 'reassesses' (twice occurring)
59(b)	'*Intangible Assets*' is deleted
60(b)	're-assessment …' is replaced with 'reassessment'
62(a)	'*Property, Plant and Equipment*' is deleted
62(c)	'*The Effects of Changes in Foreign Exchange Rates*' is deleted
68B	In the second sentence, 'it should be estimated' is replaced with 'it shall be estimated'
72	'*Financial Instruments: Disclosure and Presentation*' is deleted
78	'*The Effects of Changes in Foreign Exchange Rates*' is deleted

Amendments to AASB 114

44. A sentence is added (as a new paragraph) at the end of the definition of 'segment revenue' in paragraph 16, as follows:

Segment revenue includes a joint venturer's share of the revenue of a jointly controlled entity that is accounted for by

proportionate consolidation in accordance with AASB 131 *Interests in Joint Ventures*.

45. A sentence is added (as the second paragraph) to the definition of 'segment expense' in paragraph 16, as follows:

> **Segment expense includes a joint venturer's share of the expenses of a jointly controlled entity that is accounted for by proportionate consolidation in accordance with AASB 131.**

46. A sentence is added at the end of the second-last paragraph of the definition of 'segment assets' in paragraph 16, as follows:

> **Segment assets include a joint venturer's share of the operating assets of a jointly controlled entity that is accounted for by proportionate consolidation in accordance with AASB 131.**

47. A sentence is added (as the third paragraph) to the definition of 'segment liabilities' in paragraph 16, as follows:

> **Segment liabilities include a joint venturer's share of the liabilities of a jointly controlled entity that is accounted for by proportionate consolidation in accordance with AASB 131.**

48. The following editorial amendments are made to AASB 114:

Paragraph affected	*How affected*
33	A comma is added to the first sentence as follows: '… may be a group of people, for the purpose of …'
Appendix A	In the 'Segment Definition Decision Tree', a downward facing arrow labelled 'NO' flows from the box with the text "Does the entity elect to treat it as a reportable segment? [para.41]" to the box with the text "Selling segment becomes an unallocated reconciling item [para.41]"

Amendments to AASB 116

49. Paragraph 28 is added as follows:

    28. The carrying amount of an item of property, plant and equipment may be reduced by government grants in accordance with AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*.

50. The following editorial amendments are made to AASB 116:

Paragraph affected	*How affected*
24	In the last two sentences, ‘the acquired asset’ is replaced with ‘the acquired item’ [twice occurring]
35(a)	The second sentence is amended to read as follows: ‘… applying an index to determine its depreciated replacement cost;’

Amendments to AASB 117

51. The following editorial amendments are made to AASB 117:

Paragraph affected	*How affected*
13	‘paragraphs 6-12’ is replaced with ‘paragraphs 7-12’
41	‘in a lease’ is replaced with ‘in the lease’

Amendment to AASB 118

52. The following editorial amendment is made to AASB 118:

Paragraph affected	*How affected*
21	‘*Construction Contracts*’ is deleted

Amendments to AASB 119

53. Paragraph Aus1.3 is amended to read as follows:

Aus1.3 This Standard may be applied to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2006. When an entity applies this Standard to such an annual reporting period, it shall disclose that fact.

54. Paragraphs 45 and Aus78.1 are amended to read as follows:

45. Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the period in which the employees render the related service, they shall be discounted using the discount rate specified in paragraphs 78 and Aus78.1.

Aus78.1 Notwithstanding paragraph 78, in respect of not-for-profit public sector entities, post-employment benefit obligations denominated in Australian currency shall be discounted using market yields on government bonds.

55. Paragraphs Aus121.1 and Aus121.2 are deleted.

56. The following editorial amendments are made to AASB 119 and the accompanying Appendices A and C:

Paragraph affected	*How affected*
7	In the definition of *Current service cost*, '**the defined benefit obligation**' is replaced with '**a defined benefit obligation**'
Example Illustrating Paragraph 18	'net profit' is replaced with 'profit' (wherever occurring)
21	'net profit' is replaced with 'profit'
58A(b)	The second sentence is amended to read as follows: 'If there is no change or a decrease in the present value … the deduction of past service cost …'
120A(f)	Amended to read as follows: 'a reconciliation of … the fair value of the plan assets in (e) to the assets and liabilities …'

Paragraph affected	*How affected*
Appendix A	In the section Limits of the 'Corridor', the 'Actuarial gain (loss) for year – plan assets' for 20X3 is changed from '50' to '(50)'
Appendix A	In the section Amounts Recognised in the Balance Sheet and Profit or Loss, and Related Analyses, 'paragraph 120A(f), (g) and (l) of the Standard' is replaced with 'paragraph 120A(f), (g) and (m) of the Standard'
Appendix C	In the first paragraph after the second table, 'paragraph 8A' is replaced with 'paragraph 58A'

Amendments to AASB 120

Non-monetary Government Grants

57. Paragraph 23 is amended to read as follows:

    23. A government grant may take the form of a transfer of a non-monetary asset, such as land or other resources, for the use of the entity. In these circumstances it is usual to assess the fair value of the non-monetary asset and to account for both grant and asset at that fair value. An alternative course that is sometimes followed is to record both asset and grant at a nominal amount.

Presentation of Grants Related to Assets

58. Paragraphs 24, 26 and 28 are amended and paragraphs 25 and 27 are added, to read as follows:

    24. Government grants related to assets, including non-monetary grants at fair value, shall be presented in the balance sheet either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

    25. Two methods of presentation in financial statements of grants (or the appropriate portions of grants) related to assets are regarded as acceptable alternatives.

26. One method sets up the grant as deferred income which is recognised as income on a systematic and rational basis over the useful life of the asset.

27. The other method deducts the grant in arriving at the carrying amount of the asset. The grant is recognised as income over the life of a depreciable asset by way of a reduced depreciation charge.

28. The purchase of assets and the receipt of related grants can cause major movements in the cash flow of an entity. For this reason and in order to show the gross investment in assets, such movements are often disclosed as separate items in the cash flow statement regardless of whether or not the grant is deducted from the related asset for the purpose of balance sheet presentation.

Presentation of Grants Related to Income

59. Paragraphs 29 and 31 are amended and paragraph 30 is added, to read as follows:

29. Grants related to income are sometimes presented as a credit in the income statement, either separately or under a general heading such as 'Other income'; alternatively, they are deducted in reporting the related expense.

30. Supporters of the first method claim that it is inappropriate to net income and expense items and that separation of the grant from the expense facilitates comparison with other expenses not affected by a grant. For the second method it is argued that the expenses might well not have been incurred by the entity if the grant had not been available and presentation of the expense without offsetting the grant may therefore be misleading.

31. Both methods are regarded as acceptable for the presentation of grants related to income. Disclosure of the grant may be necessary for a proper understanding of the financial statements. Disclosure of the effect of the grants on any item of income or expense which is required to be separately disclosed is usually appropriate.

Repayment of Government Grants

60. Paragraph 32 is amended to read as follows:

> **32. A government grant that becomes repayable shall be accounted for as a revision to an accounting estimate (see AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*). Repayment of a grant related to income shall be applied first against any unamortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment shall be recognised immediately as an expense. Repayment of a grant related to an asset shall be recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant shall be recognised immediately as an expense.**

Amendment to AASB 121

61. Paragraph Aus53.1 is deleted.

Amendments to AASB 127

Scope and Definitions

62. Paragraphs 3, 6 and 7 are amended and paragraphs Aus6.1 and 8 are added, to read as follows:

> **3. This Standard shall also be applied in accounting for investments in *subsidiaries*, jointly controlled entities and associates when an entity elects, or is required by local regulations, to present *separate financial statements*.**
>
> 6. For an entity described in paragraph 5, separate financial statements are those prepared and presented in addition to the financial statements referred to in paragraph 5. Separate financial statements need not be appended to, or accompany, those statements.
>
> Aus6.1 Notwithstanding paragraph 6, for the purpose of reporting under the Corporations Act, consolidated financial

statements and separate financial statements are required to be presented together.

7. The financial statements of an entity that does not have a subsidiary, associate or venturer's interest in a jointly controlled entity are not separate financial statements.

8. A parent that is exempted in accordance with paragraphs 10 and Aus10.1 from presenting consolidated financial statements may present separate financial statements as its only financial statements.

63. The definition of 'separate financial statements' in paragraph 4 is amended to read as follows:

Separate financial statements are those presented by a parent, an investor in an associate or a venturer in a jointly controlled entity, in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees.

Presentation of Consolidated Financial Statements

64. Paragraphs 9, 10, Aus10.1 and 11 are added as follows:

9. A parent, other than a parent described in paragraph 10, as modified by paragraph Aus10.1, shall present consolidated financial statements in which it consolidates its investments in subsidiaries in accordance with this Standard.

10. A parent need not present consolidated financial statements if and only if:

(a) the parent is itself a wholly-owned subsidiary, or is a partially-owned subsidiary of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not presenting consolidated financial statements;

(b) the parent's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);

(c) the parent did not file, nor is it in the process of filing, its financial reports with a securities commission or

other regulatory organisation for the purpose of issuing any class of instruments in a public market; and

(d) **the ultimate or any intermediate parent of the parent produces consolidated financial statements available for public use that comply with International Financial Reporting Standards.**

Aus10.1 Notwithstanding paragraph 10, the ultimate Australian parent shall present consolidated financial statements that consolidate its investments in subsidiaries in accordance with this Standard when either the parent or the group is a reporting entity or both the parent and the group are reporting entities.

11. A parent that elects in accordance with paragraphs 10 and Aus10.1 not to present consolidated financial statements, and presents only separate financial statements, complies with paragraphs 37–42.

65. Paragraph Aus9.1 is deleted and paragraph Aus9.2 is renumbered as Aus9.1.

Consolidation Procedures

66. Paragraph Aus27.1 is deleted.

Accounting for Investments in Subsidiaries, Jointly Controlled Entities and Associates in Separate Financial Statements

67. Paragraphs 38 and 39 are amended, to read as follows:

38. This Standard does not mandate which entities produce separate financial statements available for public use. Paragraphs 37 and 39–42 apply when an entity prepares separate financial statements that comply with Australian equivalents to IFRSs. The entity also produces consolidated financial statements available for public use as required by paragraphs 9 and Aus9.1, unless the exemption provided in paragraphs 10 and Aus10.1 is applicable.

39. Investments in jointly controlled entities and associates that are accounted for in accordance with AASB 139 in the

consolidated financial statements shall be accounted for in the same way in the investor's separate financial statements.

Disclosure

68. Paragraph 41 is added and paragraphs 42 and Aus42.1 are amended, to read as follows:

41. When separate financial statements are prepared for a parent that, in accordance with paragraphs 10 and Aus10.1 elects not to prepare consolidated financial statements, those separate financial statements shall disclose:

(a) the fact that the financial statements are separate financial statements; that the exemption from consolidation has been used; the name and country of incorporation or residence of the entity whose consolidated financial statements that comply with International Financial Reporting Standards have been produced for public use; and the address where those consolidated financial statements are obtainable;

(b) a list of significant investments in subsidiaries, jointly controlled entities and associates, including the name, country of incorporation or residence, proportion of ownership interest and, if different, proportion of voting power held; and

(c) a description of the method used to account for the investments listed under (b).

42. When a parent (other than a parent covered by paragraph 41), venturer with an interest in a jointly controlled entity or an investor in an associate prepares separate financial statements, those separate financial statements shall disclose:

(a) the fact that the statements are separate financial statements and the reasons why those statements are prepared if not required by law;

(b) a list of significant investments in subsidiaries, jointly controlled entities and associates, including the name, country of incorporation or residence, proportion of ownership interest and, if different, proportion of voting power held; and

(c) a description of the method used to account for the investments listed under (b);

and shall identify the financial statements prepared in accordance with paragraph 9 of this Standard, AASB 128 and AASB 131 to which they relate.

Aus42.1 In respect of not-for-profit public sector entities, where a group of entities is a reporting entity, but separate financial statements for the parent are not prepared, the notes to the consolidated financial statements shall disclose a list of significant subsidiaries, including:

(a) the name;

(b) country of incorporation or residence (where other than Australia); and

(c) proportion of ownership interest and, if different, proportion of voting power held.

69. Paragraphs Aus40.1 and Aus42.2 are deleted.

Amendments to AASB 128

70. The definition of 'separate financial statements' in paragraph 2 is amended to read as follows:

***Separate financial statements* are those presented by a parent, an investor in an associate or a venturer in a jointly controlled entity, in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees.**

71. Paragraphs 3, 4, 5 and 13(b) are added as follows:

3. Financial statements in which the equity method is applied are not separate financial statements, nor are the financial statements of an entity that does not have a subsidiary, associate or venturer's interest in a joint venture.

4. Separate financial statements are those presented in addition to consolidated financial statements, financial statements in which investments are accounted for using the equity method and financial statements in which venturers' interests in joint

ventures are proportionately consolidated. Separate financial statements may or may not be appended to, or accompany, those financial statements.

5. Entities that are exempted in accordance with paragraphs 10 and Aus10.1 of AASB 127 *Consolidated and Separate Financial Statements* from consolidation, paragraph 2 of AASB 131 *Interests in Joint Ventures* from applying proportionate consolidation or paragraph 13(c) of this Standard from applying the equity method may present separate financial statements as their only financial statements.

13. An investment in an associate shall be accounted for using the equity method except when:

…

(b) the exception in paragraph 10, as modified by paragraph Aus10.1, of AASB 127 allowing a parent that also has an interest in an associate not to present consolidated financial statements, applies; or

…

72. Paragraphs Aus14.1 and Aus37.1 are deleted.

Amendments to AASB 129

73. The following editorial amendments are made to AASB 129:

Paragraph affected	*How affected*
34	'*The Effects of Changes in Foreign Exchange Rates*' is deleted
35	'*The Effects of Changes in Foreign Exchange Rates*' is deleted

Amendments to AASB 130

74. Paragraphs Aus17.1, Aus17.2, Aus30.1, Aus49.1, Aus49.2, Aus55.1 and Aus55.2 are deleted.

75. As AASB 130 has been superseded by AASB 7 *Financial Instruments: Disclosures* for annual reporting periods beginning on or after 1 January 2007 and for any prior period to which AASB 7 is applied, the amendments to AASB 130 made by paragraph 74 have relevance only if this Standard is applied early.

Amendments to AASB 131

Scope and Definitions

76. Paragraph 2 is amended to read as follows:

> **2. A venturer with an interest in a jointly controlled entity is exempted from paragraphs 30 (proportionate consolidation) and 38 (equity method) when it meets the following conditions:**
>
> **…**
>
> **(b) the exception in paragraph 10, as modified by paragraph Aus10.1, of AASB 127 *Consolidated and Separate Financial Statements* allowing a parent that also has an interest in a jointly controlled entity not to present consolidated financial statements is applicable; or**
>
> **(c) all of the following apply:**
>
> **(i) … the venturer not applying proportionate consolidation or the equity method;**
>
> **…**

77. The definition of 'proportionate consolidation' is added and the definition of 'separate financial statements' amended in paragraph 3, to read as follows:

> ***Proportionate consolidation* is a method of accounting whereby a venturer's share of each of the assets, liabilities, income and expenses of a jointly controlled entity is combined line by line with similar items in the venturer's financial statements or reported as separate line items in the venturer's financial statements.**

***Separate financial statements* are those presented by a parent, an investor in an associate or a venturer in a jointly controlled entity, in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees.**

78. Paragraphs 4, 5 and 6 are added as follows:

4. Financial statements in which proportionate consolidation or the equity method is applied are not separate financial statements, nor are the financial statements of an entity that does not have a subsidiary, associate or venturer's interest in a jointly controlled entity.

5. Separate financial statements are those presented in addition to consolidated financial statements, financial statements in which investments are accounted for using the equity method and financial statements in which venturers' interests in joint ventures are proportionately consolidated. Separate financial statements need not be appended to, or accompany, those statements.

6. Entities that are exempted in accordance with paragraphs 10 and Aus10.1 of AASB 127 from consolidation, paragraph 13(c) of AASB 128 *Investments in Associates* from applying the equity method or paragraph 2 of this Standard from applying proportionate consolidation or the equity method may present separate financial statements as their only financial statements.

Financial Reports of a Venturer

Proportionate Consolidation

79. A sub-heading '**Proportionate Consolidation**' is added above paragraph 30, but below the heading '**Financial Reports of a Venturer**'.

80. Paragraphs 30 – 37 are added as follows:

30. A venturer shall recognise its interest in a jointly controlled entity using proportionate consolidation or the alternative method described in paragraph 38. When proportionate consolidation is used, one of the two reporting formats identified below shall be used.

31. A venturer recognises its interest in a jointly controlled entity using one of the two reporting formats for proportionate

consolidation irrespective of whether it also has investments in subsidiaries or whether it describes its financial statements as consolidated financial statements.

32. When recognising an interest in a jointly controlled entity, it is essential that a venturer reflects the substance and economic reality of the arrangement, rather than the joint venture's particular structure or form. In a jointly controlled entity, a venturer has control over its share of future economic benefits through its share of the assets and liabilities of the venture. This substance and economic reality are reflected in the consolidated financial statements of the venturer when the venturer recognises its interests in the assets, liabilities, income and expenses of the jointly controlled entity by using one of the two reporting formats for proportionate consolidation described in paragraph 34.

33. The application of proportionate consolidation means that the balance sheet of the venturer includes its share of the assets that it controls jointly and its share of the liabilities for which it is jointly responsible. The income statement of the venturer includes its share of the income and expenses of the jointly controlled entity. Many of the procedures appropriate for the application of proportionate consolidation are similar to the procedures for the consolidation of investments in subsidiaries, which are set out in AASB 127.

34. Different reporting formats may be used to give effect to proportionate consolidation. The venturer may combine its share of each of the assets, liabilities, income and expenses of the jointly controlled entity with the similar items, line by line, in its financial statements. For example, it may combine its share of the jointly controlled entity's inventory with its inventory and its share of the jointly controlled entity's property, plant and equipment with its property, plant and equipment. Alternatively, the venturer may include separate line items for its share of the assets, liabilities, income and expenses of the jointly controlled entity in its financial statements. For example, it may show its share of a current asset of the jointly controlled entity separately as part of its current assets; it may show its share of the property, plant and equipment of the jointly controlled entity separately as part of its property, plant and equipment. Both these reporting formats result in the reporting of identical amounts of profit or loss and of each major classification of assets, liabilities, income and expenses; both formats are acceptable for the purposes of this Standard.

35. Whichever format is used to give effect to proportionate consolidation, it is inappropriate to offset any assets or liabilities by the deduction of other liabilities or assets or any income or expenses by the deduction of other expenses or income, unless a legal right of set-off exists and the offsetting represents the expectation as to the realisation of the asset or the settlement of the liability.

36. A venturer shall discontinue the use of proportionate consolidation from the date on which it ceases to have joint control over a jointly controlled entity.

37. A venturer discontinues the use of proportionate consolidation from the date on which it ceases to share in the control of a jointly controlled entity. This may happen, for example, when the venturer disposes of its interest or when such external restrictions are placed on the jointly controlled entity that the venturer no longer has joint control.

Equity Method and Exceptions

81. Paragraphs 38 and 43 are amended and paragraphs 39 and 40 are added, to read as follows:

38. As an alternative to proportionate consolidation described in paragraph 30, a venturer shall recognise its interest in a jointly controlled entity using the equity method.

39. A venturer recognises its interest in a jointly controlled entity using the equity method irrespective of whether it also has investments in subsidiaries or whether it describes its financial statements as consolidated financial statements.

40. Some venturers recognise their interests in jointly controlled entities using the equity method, as described in AASB 128. The use of the equity method is supported by those who argue that it is inappropriate to combine controlled items with jointly controlled items and by those who believe that venturers have significant influence, rather than joint control, in a jointly controlled entity. This Standard does not recommend the use of the equity method because proportionate consolidation better reflects the substance and economic reality of a venturer's interest in a jointly controlled entity, that is to say, control over the venturer's share of the future economic benefits. Nevertheless, this Standard permits the use of the equity method, as an alternative treatment, when recognising interests in jointly controlled entities.

43. When an interest in a jointly controlled entity previously classified as held for sale no longer meets the criteria to be so classified, it shall be accounted for using proportionate consolidation or the equity method as from the date of its classification as held for sale. Financial statements for the periods since classification as held for sale shall be amended accordingly.

82. Paragraphs Aus38.1 and Aus43.1 are deleted.

83. The heading above paragraph 42 is amended to read as '**Exceptions to Proportionate Consolidation and Equity Method**'.

Separate Financial Statements of a Venturer

84. Paragraph 46 is amended to read as follows:

46. An interest in a jointly controlled entity shall be accounted for in a venturer's separate financial statements in accordance with paragraphs 37–42 of AASB 127.

Disclosure

85. Paragraphs 56 and 57 are added as follows:

56. A venturer shall disclose a listing and description of interests in significant joint ventures and the proportion of ownership interest held in jointly controlled entities. A venturer that recognises its interests in jointly controlled entities using the line-by-line reporting format for proportionate consolidation or the equity method shall disclose the aggregate amounts of each of current assets, long-term assets, current liabilities, long-term liabilities, income and expenses related to its interests in joint ventures.

57. A venturer shall disclose the method it uses to recognise its interests in jointly controlled entities.

86. Paragraphs Aus57.1–Aus57.5 are deleted.

Amendments to AASB 132

87. Paragraph Aus94.1 of AASB 132 *Financial Instruments: Disclosure and Presentation* is deleted.

88. As AASB 132 *Financial Instruments: Disclosure and Presentation* has been superseded by AASB 132 *Financial Instruments: Presentation* for annual reporting periods beginning on or after 1 January 2007 and for any prior period to which AASB 132 *Financial Instruments: Presentation* is applied, the amendment to AASB 132 *Financial Instruments: Disclosure and Presentation* made by paragraph 87 has relevance only if this Standard is applied early.

89. The following editorial amendments are made to AASB 132 *Financial Instruments: Presentation*:

Paragraph affected	*How affected*
2	At the end of the last sentence, '… can be offset.' is replaced with '… should be offset.'
Heading above paragraph 11	'**AG3-AG24**' is replaced with '**AG3-AG23**'
AG2 of Application Guidance	'*Financial Instruments: Recognition and Measurement*' is deleted
AG12	'*Income Taxes*' is deleted
AG29	'*Presentation of Financial Statements*' and '*Consolidated and Separate Financial Statements*' are deleted

Amendments to AASB 133

90. Paragraph Aus1.1 is amended to read as follows:

Aus1.1 This Standard applies to each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is:

(a) a reporting entity whose ordinary shares or potential ordinary shares are publicly traded; or

(b) a reporting entity that is in the process of issuing ordinary shares or potential ordinary shares in public markets; or

(c) an entity that discloses earnings per share.

91. Paragraphs Aus63.1–Aus63.5 and Aus70.1 are deleted.

92. The following editorial amendments are made to AASB 133 and the accompanying Illustrative Examples:

Paragraph affected	*How affected*
68	'**to the financial statements**' is deleted
73	At the end of the second sentence, '**to the financial statements**' is deleted
First paragraph in Example 8	'250 common shares.' is replaced with '250 ordinary shares.'
Second paragraph in Example 8	'one common share' is replaced with 'one ordinary share'
Example 12	In the Third Quarter 20X1 basic EPS calculation, the fourth line caption is amended to read as follows: 'Loss from discontinued operations attributable to the parent entity'

Amendments to AASB 134

93. Paragraph 14 is added as follows:

> 14. An interim financial report is prepared on a consolidated basis if the entity's most recent annual financial statements were consolidated statements. The parent's separate financial statements are not consistent or comparable with the consolidated statements in the most recent annual financial report. If an entity's annual financial report included the parent's separate financial statements in addition to consolidated financial statements, this Standard neither requires nor prohibits the inclusion of the parent's separate statements in the entity's interim financial report.

94. Paragraphs Aus14.1–Aus14.2, Aus16.1–Aus16.4, Aus18.1 and Aus27.1–Aus27.2 are deleted.

95. The following editorial amendments are made to AASB 134:

Paragraph affected	*How affected*
8(c)(ii)	The text is amended to read as follows; ‘**changes in equity other than those arising from capital transactions with owners and distributions to owners;**’
24	‘*Presentation of Financial Statements*’ is deleted

Amendment to AASB 136

96. The following editorial amendment is made to AASB 136:

Paragraph affected	*How affected*
28	‘*Employee Benefits*’ is deleted

Amendments to AASB 137

97. The following editorial amendments are made to AASB 137 and the accompanying Appendix C:

Paragraph affected	*How affected*
Objective	‘to the financial statements’ is deleted
41	‘*Income Taxes*’ is deleted
Example 2A in Appendix C	At the end of the first paragraph, ‘year end’ is replaced with ‘year-end’

Amendments to AASB 138

98. Paragraph 44 is amended to read as follows:

44. In some cases, an intangible asset may be acquired free of charge, or for nominal consideration, by way of a government grant. This may happen when a government transfers or

allocates to an entity intangible assets such as airport landing rights, licences to operate radio or television stations, import licences or quotas or rights to access other restricted resources. In accordance with AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*, an entity may choose to recognise both the intangible asset and the grant initially at fair value.[1] If an entity chooses not to recognise the asset initially at fair value, the entity recognises the asset initially at a nominal amount (the other treatment permitted by AASB 120) plus any expenditure that is directly attributable to preparing the asset for its intended use.

99. The following editorial amendments are made to AASB 138:

Paragraph affected	*How affected*
2(b)	'**AASB 139 *Financial Instruments: Recognition and Measurement***' is replaced with '**AASB 132 *Financial Instruments: Presentation***'
3(e)	'financial assets as defined in AASB 139.' is replaced with 'financial assets as defined in AASB 132.'
28	'*Employee Benefits*' is deleted
33	'*Business Combinations*' is deleted
66	'*Employee Benefits*' and '*Borrowing Costs*' are deleted
68(b)	'***Business Combinations***' is deleted
69(a)	'*Property, Plant and Equipment*' is deleted
83	'*Impairment of Assets*' is deleted
97	'***Non-current Assets Held for Sale and Discontinued Operations***' is deleted
108	'*Impairment of Assets*' is deleted
109	'***Accounting Policies, Changes in Accounting Estimates and Errors***' is deleted
113	'***Leases***' is deleted

Amendments to AASB 139

100. Paragraph AG3 of Appendix A is amended to read as follows:

AG3. Sometimes, an entity makes what it views as a 'strategic investment' in equity instruments issued by another entity, with the intention of establishing or maintaining a long-term operating relationship with the entity in which the investment is made. The investor entity uses AASB 128 to determine whether the equity method of accounting is appropriate for such an investment. Similarly, the investor entity uses AASB 131 to determine whether proportionate consolidation or the equity method is appropriate for such an investment. If neither the equity method nor proportionate consolidation is appropriate, the entity applies this Standard to that strategic investment.

101. The following editorial amendments are made to AASB 139:

Paragraph affected	*How affected*
9	In the definition of *Effective interest method*, '*Revenue*' is added after AASB 118 The footnote to the definition of *Fair value* is amended to read as follows: 'Paragraphs 48-49 and …'
47(c)	'***Provisions, Contingent Liabilities and Contingent Assets***' and '***Revenue***' are deleted
AG1	'*Insurance Contracts*' is deleted
AG2	'*Revenue*' is deleted
AG3	'*Investments in Associates*' and '*Interests in Joint Ventures*' are deleted
AG4E(b)	'*Insurance Contracts*' is deleted
AG4I(a)	'*Investments in Associates*' and '*Interests in Joint Ventures*' are deleted
AG29	'*Financial Instruments: Disclosure and Presentation*' is deleted
AG33(c)	'*The Effects of Changes in Foreign Exchange Rates*' is deleted
AG46	'paragraphs 48, 49' is replaced with 'paragraphs 48-49'
AG53	'profit and loss.' is replaced with 'profit or loss.'
AG79	The first sentence is amended to read as follows: '… an entity uses one or more discount rates equal to the prevailing rates of return for financial

Paragraph affected	*How affected*
	instruments … repayment of the principal and the currency in which …’
AG82(h)	The title is amended to read as follows: ‘*Servicing costs of a financial asset or a financial liability*’
AG125(c)	‘reduces the effect’ is replaced with ‘reduce the effect’

Amendments to AASB 141

102. Paragraphs Aus43.1 and Aus49.1 are deleted.

Amendments to AASB 1023

103. The definition of ‘separate financial statements’ in paragraph 19.1 is amended to read as follows:

> ***separate financial statements* are those presented by a parent, an investor in an associate or a venturer in a jointly controlled entity, in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees.**

104. The following editorial amendments are made to AASB 1023:

Paragraph affected	*How affected*
2.2(f)	The text is amended to read as follows: ‘… elect to apply either AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 132 *Financial Instruments: Presentation* and AASB 7 *Financial Instruments: Disclosures* or this Standard to …’
13.3.1(b)	A colon is added after the word ‘between’

Paragraph affected	*How affected*
15.5	The text is amended to read as follows: 'When preparing separate financial statements, those investments in subsidiaries, jointly controlled entities and associates that: (a) are defined by AASB 127 …'
17.2	The word 'and' is deleted at the end of paragraph (a) Paragraph (c) is amended to read as follows: '… (determined from (a) and (b) above);'
17.8	A comma is added after 'section 9'
19.1	The definition of 'financial guarantee contract' is added as follows: '*financial guarantee contract* means a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument' The definition of 'claims incurred' is amended to read as follows: '*claims incurred* means *claims* that have occurred prior to the reporting date, whether reported or unreported at the reporting date'

Amendments to AASB 1038

105. Paragraph 1.1 is amended to read as follows:

1.1 This Standard applies to each entity that is:

(a) a *life insurer*; or

(b) the parent in a group that includes a life insurer;

when the entity:

(c) is a reporting entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act;

(d) is an other reporting entity and prepares general purpose financial reports; or

(e) prepares financial reports that are, or are held out to be, general purpose financial reports.

106. The word “and” is deleted from the end of paragraph 17.5.5(b) and paragraph 17.5.5(c) is amended to read as follows:

17.5.5 …

(c) although these contracts are financial instruments, the issuer may continue to recognise the premiums for those contracts as revenue and recognise as an expense the resulting increase in the carrying amount of the liability, subject to the requirements of paragraphs 5.1 and 5.2; and

107. Paragraph 17.5.5(d) is added as follows:

17.5.5 …

(d) although these contracts are financial instruments, an issuer applying paragraph 20(b) of AASB 7 to contracts with a discretionary participation feature shall disclose the total interest expense recognised in profit or loss, but need not calculate such interest expense using the effective interest method.

108. The definition of ‘separate financial statements’ in paragraph 20.1 is amended to read as follows:

separate financial statements **are those presented by a parent, an investor in an associate or a venturer in a jointly controlled entity, in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees.**

109. The following editorial amendments are made to AASB 1038:

Paragraph affected	*How affected*
10.2	The final clause is amended to read as follows: ‘… under AASB 139 on first application …’
10.3	The comma after ‘liabilities’ is deleted

Paragraph affected	*How affected*
12.1.2	The text is amended to read as follows: '… under AASB 118 *Revenue*; this element ...'
14.1.4(b)(iv)	The word 'and' is added at the end
14.1.5	The first sentence is amended to read as follows: '… the effect of changes in assumptions, the life insurer …'
15.1 to 15.1.3 (and preceding heading)	The words 'insurer' and 'insurance contracts' are replaced with 'life insurer' and 'life insurance contracts' respectively
17.5.5(b)	The first sentence is amended to read as follows: 'if the issuer classifies part or all of the discretionary participation feature as a separate component of equity, …'
18.2.1	The third sentence is amended to read as follows: '… business as a whole; it is ...'
16(a) and 16(b) of Appendix	The comma before 'see' is replaced with a colon