Accounting Standard

AASB 2008-3
March 2008

Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127

[AASBs 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107]

Australian Government

Australian Accounting Standards Board

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Australian Accounting Standard AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* is set out in paragraphs 1 – 82. All the paragraphs have equal authority.

PREFACE

Standards Amended by AASB 2008-3

This Standard makes amendments to the following Australian Accounting Standards and Interpretations:

1. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*
2. AASB 2 *Share-based Payment*
3. AASB 4 *Insurance Contracts*
4. AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*
5. AASB 7 *Financial Instruments: Disclosures*
6. AASB 101 *Presentation of Financial Statements*
7. AASB 107 *Statement of Cash Flows*
8. AASB 112 *Income Taxes*
9. AASB 114 *Segment Reporting*
10. AASB 116 *Property, Plant and Equipment*
11. AASB 121 *The Effects of Changes in Foreign Exchange Rates*
12. AASB 128 *Investments in Associates*
13. AASB 131 *Interests in Joint Ventures*
14. AASB 132 *Financial Instruments: Presentation*
15. AASB 133 *Earnings per Share*
16. AASB 134 *Interim Financial Reporting*
17. AASB 136 *Impairment of Assets*
18. AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*
19. AASB 138 *Intangible Assets*

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20. AASB 139 *Financial Instruments: Recognition and Measurement*

21. Interpretation 9 *Reassessment of Embedded Derivatives*

22. Interpretation 107 *Introduction of the Euro*.

These amendments arise from the issuance in March 2008 of the revised AASB 3 *Business Combinations* and the amended AASB 127 *Consolidated and Separate Financial Statements*, which correspond to the revised IFRS 3 *Business Combinations* and IAS 27 *Consolidated and Separate Financial Statements*, which were issued by the International Accounting Standards Board (IASB) in January 2008.

Main Features of this Standard

Application Date

This Standard is applicable to annual reporting periods beginning on or after 1 July 2009, with early adoption permitted for annual reporting periods beginning on or after 30 June 2007 but before 1 July 2009 provided the revised AASB 3 and amended AASB 127 are also adopted early for the same period. This Standard shall only be applied when AASB 3 (March 2008) and AASB 127 (March 2008) are applied.

Main Requirements

This Standard gives effect to consequential changes arising from revised AASB 3 and amended AASB 127. The Prefaces to those Standards summarise the main requirements of those Standards.

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The Australian Accounting Standards Board makes Accounting Standard AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* under section 334 of the *Corporations Act 2001*.

D.G. Boymal
Dated 6 March 2008 Chair – AASB

ACCOUNTING STANDARD AASB 2008-3

AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS ARISING FROM AASB 3 AND AASB 127

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 4 *Insurance Contracts*;

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

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

(f) AASB 101 *Presentation of Financial Statements*;

(g) AASB 107 *Statement of Cash Flows*;

(h) AASB 112 *Income Taxes*;

(i) AASB 114 *Segment Reporting*;

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

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

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(l) AASB 128 *Investments in Associates*;

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

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

(o) AASB 133 *Earnings per Share*;

(p) AASB 134 *Interim Financial Reporting*;

(q) AASB 136 *Impairment of Assets*;

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

(s) AASB 138 *Intangible Assets*;

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

(u) Interpretation 9 *Reassessment of Embedded Derivatives*; and

(v) Interpretation 107 *Introduction of the Euro*;

as a consequence of the issuance of revised AASB 3 *Business Combinations* and amended AASB 127 *Consolidated and Separate Financial Statements* in March 2008.

Application

2 In respect of AASB 1, AASB 2, AASB 4, AASB 5, AASB 7, AASB 112, AASB 114, AASB 116, AASB 121, AASB 128, AASB 131, AASB 132, AASB 136, AASB 137, AASB 138 and AASB 139 and Interpretations 9 and 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 and that is a reporting entity;

(b) general purpose financial statements of each other reporting entity; and

(c) financial statements that are, or are held out to be, general purpose financial statements.

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3 In respect of AASB 101 and 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 statements of each reporting entity; and

(c) financial statements that are, or are held out to be, general purpose financial statements.

4 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.

5 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 statements of each other reporting entity; and

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

6 This Standard applies to annual reporting periods beginning on or after 1 July 2009.

7 This Standard may be applied to annual reporting periods beginning on or after 30 June 2007 but before 1 July 2009. When an entity applies this Standard to such an annual reporting period, it shall disclose that fact. This Standard shall only be applied when AASB 3 (March 2008) and AASB 127 (March 2008) are applied.

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References to Minority Interest

8 In the following Australian Accounting Standards applicable at 1 July 2009, references to '[a] minority interest' or 'minority interests' are amended to 'non-controlling interests' in the paragraphs identified:

Standard	Paragraph(s)
AASB 1	B2(c)(i), B2(g)(i), B2(k)
AASB 4	34(c)
AASB 101	54(q), 83(a)(i), 83(b)(i)
AASB 107	20(b)
AASB 114	16
AASB 121	41
AASB 132	AG29
AASB 133	A1

9 In the guidance on the following Australian Accounting Standard applicable at 1 July 2009, references to 'minority interests' are amended to 'non-controlling interests' in the places identified:

Standard	Example
AASB 1	IG Example 4, IG Example 5, IG Example 6, IG28

Amendments to AASB 1

10 Paragraph 14 is amended to read as follows:

> 14 Some exemptions below refer to fair value. In determining fair values in accordance with this Standard, an entity shall apply the definition of fair value in Appendix A and any more specific guidance in other Australian equivalents to IFRSs on the determination of fair values for the asset or liability in question. Those fair values shall reflect conditions that existed at the date for which they were determined.

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11 Paragraph 26 is amended to read as follows:

26 This Standard prohibits the retrospective application of some aspects of other Australian equivalents to IFRSs relating to:

...

(c) estimates (paragraphs 31-34);

(d) assets classified as held for sale and discontinued operations (paragraphs 34A and 34B); and

(e) some aspects of accounting for non-controlling interests (paragraph 34C).

12 After paragraph 34B a new heading and paragraph 34C are inserted as follows:

Non-controlling interests

34C A first-time adopter shall apply the following requirements of AASB 127 *Consolidated and Separate Financial Statements* (as amended in March 2008) prospectively from the date of transition to Australian equivalents to IFRSs:

(a) the requirement in paragraph 28 that total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance;

(b) the requirements in paragraphs 30 and 31 for accounting for changes in the parent's ownership interest in a subsidiary that do not result in a loss of control; and

(c) the requirements in paragraphs 34-37 for accounting for a loss of control over a subsidiary.

However, if a first-time adopter elects to apply AASB 3 (as revised in March 2008) retrospectively to past business combinations, it also shall apply AASB 127 (as amended in March 2008) in accordance with paragraph B1 of this Standard.

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13 Notes concerning paragraphs 47I and 47J are inserted as follows:

47I [Deleted by the AASB]

47J [Deleted by the AASB]

14 In Appendix B, paragraphs B1, B2(f) and B2(g) are amended to read as follows:

B1 A first-time adopter may elect not to apply AASB 3 *Business Combinations* retrospectively to past business combinations (business combinations that occurred before the date of transition to Australian equivalents to IFRSs). However, if a first-time adopter restates any business combination to comply with AASB 3, it shall restate all later business combinations and shall also apply AASB 127 (as amended in March 2008) from that same date. For example, if a first-time adopter elects to restate a business combination that occurred on 30 June 20X6, it shall restate all business combinations that occurred between 30 June 20X6 and the date of transition to Australian equivalents to IFRSs, and it shall also apply AASB 127 (as amended in March 2008) from 30 June 20X6.

B2(f) If an asset acquired, or liability assumed, in a past business combination was not recognised under previous GAAP, it does not have a deemed cost of zero in the opening Australian-equivalent-to-IFRS statement of financial position. Instead, the acquirer shall recognise and measure it in its consolidated statement of financial position on the basis that Australian equivalents to IFRSs would require in the statement of financial position of the acquiree. To illustrate: if the acquirer had not, under its previous GAAP, capitalised finance leases acquired in a past business combination, it shall capitalise those leases in its consolidated financial statements, as AASB 117 *Leases* would require the acquiree to do in its Australian-equivalents-to-IFRSs statement of financial position. Similarly, if the acquirer had not, under its previous GAAP, recognised a contingent liability that still exists at the date of transition to Australian equivalents to IFRSs, the acquirer shall recognise that contingent liability at that date unless AASB 137 would prohibit its recognition in the financial statements of the acquiree. Conversely, ...

B2(g) The carrying amount of goodwill in the opening Australian-equivalents-to-IFRSs statement of financial position shall be its carrying amount under previous GAAP at the date of transition to Australian equivalents to IFRSs, after the following two adjustments:

(i) ...

(ii) [Deleted by the IASB]

(iii) Regardless ...

Amendments to AASB 2

15 Paragraph 5 is amended to read as follows:

5 As noted in paragraph 2, this Standard ... Similarly, the cancellation, replacement or other modification of *share-based payment arrangements* because of a business combination or other equity restructuring shall be accounted for in accordance with this Standard. AASB 3 provides guidance on determining whether equity instruments issued in a business combination are part of the consideration transferred in exchange for control of the acquiree (and therefore within the scope of AASB 3) or are in return for continued service to be recognised in the post-combination period (and therefore within the scope of this Standard).

16 A note concerning paragraph 61 is inserted as follows:

61 [Deleted by the AASB]

Amendments to AASB 5

17 Paragraph 33 is amended to read as follows:

33 An entity shall disclose:

(a) ...

(d) the amount of income from continuing operations and from discontinued operations attributable to owners of the parent. These disclosures may be presented either in the notes or in the statement of comprehensive income.

18 A note concerning paragraph 44B is inserted as follows:

44B [Deleted by the AASB]

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19 Paragraph Aus44B.1 is added as follows:

Aus44B.1 AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* added the disclosures required by paragraph 33(d). The amendment shall be applied retrospectively.

Amendments to AASB 7

20 Paragraph 3(c) is deleted and a note added as follows:

(c) [Deleted by the IASB]

21 A note concerning paragraph 44B is inserted as follows:

44B [Deleted by the AASB]

Amendments to AASB 101

22 Paragraph Aus7.2 of AASB 101 (as revised in 2007), is inserted as follows:

Aus7.2 In respect of public sector entities, *local governments*, *governments* and most, if not all, *government departments* are *reporting entities*:

reporting entity **means an entity in respect of which it is reasonable to expect the existence of users who rely on the entity's general purpose financial statement for information that will be useful to them for making and evaluating decisions about the allocation of resources. A reporting entity can be a single entity or a group comprising a parent and all of its subsidiaries.**

government **means the Australian Government, the Government of the Australian Capital Territory, New South Wales, the Northern Territory, Queensland, South Australia, Tasmania, Victoria or Western Australia.**

government department **means a government controlled entity, created pursuant to administrative arrangements or otherwise designated as a government department by the government which controls it.**

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local government	**means an entity comprising all entities controlled by a governing body elected or appointed pursuant to a Local Government Act or similar legislation.**

23 Paragraph 106 of AASB 101 is amended to read as follows:

106 An entity shall present a statement of changes in equity showing in the statement:

(a) total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests;

(b) for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with AASB 108; and

(c) [Deleted by the IASB]

(d) for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:

(i) profit or loss;

(ii) each item of other comprehensive income; and

(iii) transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.

24 A note concerning paragraph 139A is inserted as follows:

139A [Deleted by the AASB]

25 Paragraph Aus139A.1 is added as follows:

Aus139A.1 AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* amended paragraph 106. The amendment shall be applied retrospectively.

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Amendments to AASB 107

26 The heading above paragraph 39 and paragraphs 39-42 are amended to read as follows:

Changes in Ownership Interests in Subsidiaries and Other Businesses

39 The aggregate cash flows arising from obtaining or losing control of subsidiaries or other businesses shall be presented separately and classified as investing activities.

40 An entity shall disclose, in aggregate, in respect of both obtaining and losing control of subsidiaries or other businesses during the period each of the following:

(a) the total consideration paid or received;

(b) the portion of the consideration consisting of cash and cash equivalents;

(c) the amount of cash and cash equivalents in the subsidiaries or other businesses over which control is obtained or lost; and

(d) the amount of the assets and liabilities other than cash or cash equivalents in the subsidiaries or other businesses over which control is obtained or lost, summarised by each major category.

41 The separate presentation of the cash flow effects of obtaining or losing control of subsidiaries or other businesses as single line items, together with the separate disclosure of the amounts of assets and liabilities acquired or disposed of, helps to distinguish those cash flows from the cash flows arising from the other operating, investing and financing activities. The cash flow effects of losing control are not deducted from those of obtaining control.

42 The aggregate amount of the cash paid or received as consideration for obtaining or losing control of subsidiaries or other businesses is reported in the statement of cash flows net of cash and cash equivalents acquired or disposed of as part of such transactions, events or changes in circumstances.

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27 Paragraphs 42A and 42B are inserted as follows:

42A Cash flows arising from changes in ownership interests in a subsidiary that do not result in a loss of control shall be classified as cash flows from financing activities.

42B Changes in ownership interests in a subsidiary that do not result in a loss of control, such as the subsequent purchase or sale by a parent of a subsidiary's equity instruments, are accounted for as equity transactions (see AASB 127 *Consolidated and Separate Financial Statements* (as amended in March 2008)). Accordingly, the resulting cash flows are classified in the same way as other transactions with owners described in paragraph 17.

28 A note concerning paragraph 54 is inserted as follows:

54 [Deleted by the AASB]

29 Paragraph Aus54.1 is added as follows:

Aus54.1 AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* amended the requirements described in paragraphs 39-42 and added paragraphs 42A and 42B. The amendments and additions to this Standard shall be applied retrospectively.

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30 Note 1 to the statement of cash flows in Appendix A, which accompanies AASB 107, is amended to read as follows:

1. Obtaining Control of Subsidiary

During the period the Group obtained control of subsidiary X. The fair values of assets acquired and liabilities assumed were as follows:

Cash	40
Inventories	100
Accounts receivable	100
Property, plant and equipment	650
Trade payables	(100)
Long-term debt	(200)
Total purchase price paid in cash	590
Less: Cash of subsidiary X acquired	(40)
Cash paid to obtain control, net of cash acquired	550

Amendments to AASB 112

31 The third paragraph of the **'Objective'** is amended to read as follows:

This Standard ... Similarly, the recognition of deferred tax assets and liabilities in a business combination affects the amount of goodwill arising in that business combination or the amount of the bargain purchase gain recognised.

32 Paragraphs 18, 19, 21-22 and 26 are amended to read as follows:

18 Temporary differences also arise when:

(a) the identifiable assets acquired and liabilities assumed in a business combination are recognised at their fair values in accordance with AASB 3 *Business Combinations*, but no equivalent adjustment is made for tax purposes (see paragraph 19);

(b) ...

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Business Combinations

19 With limited exceptions, the identifiable assets acquired and liabilities assumed in a business combination are recognised at their fair values at the acquisition date. Temporary differences ...

Goodwill

21 Goodwill arising in a business combination is measured as the excess of (a) over (b) below:

(a) the aggregate of:

(i) the consideration transferred measured in accordance with AASB 3, which generally requires acquisition-date fair value;

(ii) the amount of any non-controlling interest in the acquiree recognised in accordance with AASB 3; and

(iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.

(b) the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed measured in accordance with AASB 3.

Many taxation authorities ...

21A Subsequent reductions in a deferred tax liability that is unrecognised because it arises from the initial recognition of goodwill are also regarded as arising from the initial recognition of goodwill and are therefore not recognised under paragraph 15(a). For example, if in a business combination an entity recognises goodwill of CU100 that has a tax base of nil, paragraph 15(a) prohibits the entity from recognising the resulting deferred tax liability. If the entity subsequently recognises an impairment loss of CU20 for that goodwill, the amount of the taxable temporary difference relating to the goodwill is reduced from CU100 to CU80, with a resulting decrease in the value of the unrecognised deferred tax liability. That decrease in the value of the unrecognised deferred tax liability is also regarded as relating to the initial recognition of the goodwill and is therefore prohibited from being recognised under paragraph 15(a).

21B Deferred tax liabilities for taxable temporary differences relating to goodwill are, however, recognised to the extent they do not arise from the initial recognition of goodwill. For example, if in a business combination an entity recognises goodwill of CU100 that is deductible for tax purposes at a rate of 20 per cent per year starting in the year of acquisition, the tax base of the goodwill is CU100 on initial recognition and CU80 at the end of the year of acquisition. If the carrying amount of goodwill at the end of the year of acquisition remains unchanged at CU100, a taxable temporary difference of CU20 arises at the end of that year. Because ...

Initial Recognition of an Asset or Liability

22 A temporary difference may arise on initial recognition of an asset or liability, for example if part or all of the cost of an asset will not be deductible for tax purposes. The method of accounting for such a temporary difference depends on the nature of the transaction that led to the initial recognition of the asset or liability:

(a) in a business combination, an entity recognises any deferred tax liability or asset and this affects the amount of goodwill or bargain purchase gain it recognises (see paragraph 19);

(b) ...

26 The following are examples of deductible temporary differences that result in deferred tax assets:

(a) ...

(c) with limited exceptions, an entity recognises the identifiable assets acquired and liabilities assumed in a business combination at their fair values at the acquisition date. When a liability assumed is recognised at the acquisition date but the related costs are not deducted in determining taxable profits until a later period, a deductible temporary difference arises which results in a deferred tax asset. A deferred tax asset also arises when the fair value of an identifiable asset acquired is less than its tax base. In both cases, the resulting deferred tax asset affects goodwill (see paragraph 66); and

(d) ...

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33 After paragraph 31, a new heading and paragraph 32A are inserted as follows:

32 [Deleted by the IASB]

Goodwill

32A If the carrying amount of goodwill arising in a business combination is less than its tax base, the difference gives rise to a deferred tax asset. The deferred tax asset arising from the initial recognition of goodwill shall be recognised as part of the accounting for a business combination to the extent that it is probable that taxable profit will be available against which the deductible temporary difference could be utilised.

34 Paragraphs 66-68 are amended to read as follows:

66 As explained in paragraphs 19 and 26(c), temporary differences may arise in a business combination. In accordance with AASB 3, an entity recognises any resulting deferred tax assets (to the extent that they meet the recognition criteria in paragraph 24) or deferred tax liabilities as identifiable assets and liabilities at the acquisition date. Consequently, those deferred tax assets and deferred tax liabilities affect the amount of goodwill or the bargain purchase gain the entity recognises. However, in accordance with paragraph 15(a), an entity does not recognise deferred tax liabilities arising from the initial recognition of goodwill.

67 As a result of a business combination, the probability of realising a pre-acquisition deferred tax asset of the acquirer could change. An acquirer may consider it probable that it will recover its own deferred tax asset that was not recognised before the business combination. For example, the acquirer may be able to utilise the benefit of its unused tax losses against the future taxable profit of the acquiree. Alternatively, as a result of the business combination it might no longer be probable that future taxable profit will allow the deferred tax asset to be recovered. In such cases, the acquirer recognises a change in the deferred tax asset in the period of the business combination, but does not include it as part of the accounting for the business combination. Therefore, the acquirer does not take it into account in measuring the goodwill or bargain purchase gain it recognises in the business combination.

68 The potential benefit of the acquiree's income tax loss carryforwards or other deferred tax assets might not satisfy the

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criteria for separate recognition when a business combination is initially accounted for but might be realised subsequently. An entity shall recognise acquired deferred tax benefits that it realises after the business combination as follows:

(a) Acquired deferred tax benefits recognised within the measurement period that result from new information about facts and circumstances that existed at the acquisition date shall be applied to reduce the carrying amount of any goodwill related to that acquisition. If the carrying amount of that goodwill is zero, any remaining deferred tax benefits shall be recognised in profit or loss.

(b) All other acquired deferred tax benefits realised shall be recognised in profit or loss (or, if this Standard so requires, outside profit or loss).

35 The example following paragraph 68 is deleted.

36 Paragraph 81 is amended to read as follows:

81 The following shall also be disclosed separately:

(a) ...

(h) in respect of discontinued operations, the tax expense relating to:

(i) the gain or loss on discontinuance; and

(ii) the profit or loss from the ordinary activities of the discontinued operation for the period, together with the corresponding amounts for each prior period presented;

(i) the amount of income tax consequences of dividends to shareholders of the entity that were proposed or declared before the financial statements were authorised for issue, but are not recognised as a liability in the financial statements;

(j) if a business combination in which the entity is the acquirer causes a change in the amount recognised for its pre-acquisition deferred tax asset (see paragraph 67), the amount of that change; and

(k) **if the deferred tax benefits acquired in a business combination are not recognised at the acquisition date but are recognised after the acquisition date (see paragraph 68), a description of the event or change in circumstances that caused the deferred tax benefits to be recognised.**

37 Paragraphs 93 and 94, and a note concerning paragraph 95, are inserted as follows:

93 Paragraph 68 shall be applied prospectively from the effective date of AASB 3 (as revised in March 2008) to the recognition of deferred tax assets acquired in business combinations.

94 Therefore, entities shall not adjust the accounting for prior business combinations if tax benefits failed to satisfy the criteria for separate recognition as of the acquisition date and are recognised after the acquisition date, unless the benefits are recognised within the measurement period and result from new information about facts and circumstances that existed at the acquisition date. Other tax benefits recognised shall be recognised in profit or loss (or, if this Standard so requires, outside profit or loss).

95 [Deleted by the AASB]

38 In Appendix A accompanying AASB 112, paragraph 12 of section A is amended to read as follows:

12 The carrying amount of an asset is increased to fair value in a business combination and no equivalent adjustment is made for tax purposes. *(Note that on initial recognition, the resulting deferred tax liability increases goodwill or decreases the amount of any bargain purchase gain recognised. See paragraph 66 of the Standard).*

39 In Appendix A accompanying AASB 112, paragraph 9 of section B is amended to read as follows:

9 A liability is recognised at its fair value in a business combination, but none of the related expense is deducted in determining taxable profit until a later period. *(Note that the resulting deferred tax asset decreases goodwill or increases the amount of any bargain purchase gain recognised. See paragraph 66 of the Standard).*

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40 In Appendix B accompanying AASB 112, Example 3 is amended to read as follows:

...

	Amounts recognised at acquisition	*Tax base*	*Temporary differences*
Property, plant and equipment	270	155	115
Accounts receivable	210	210	–
Inventory	174	124	50
Retirement benefit obligations	(30)	–	(30)
Accounts payable	(120)	(120)	–
Identifiable assets acquired and liabilities assumed, excluding deferred tax	504	369	135

...

41 In Appendix B accompanying AASB 112, Example 6 is inserted as follows:

Example 6 – Replacement Awards in a Business Combination

On 1 January 20X1 Entity A acquired 100 per cent of Entity B. Entity A pays cash consideration of CU400 to the former owners of Entity B.

At the acquisition date Entity B had outstanding employee share options with a market-based measure of CU100. The share options were fully vested. As part of the business combination Entity B's outstanding share options are replaced by share options of Entity A (replacement awards) with a market-based measure of CU100 and an intrinsic value of CU80. The replacement awards are fully vested. In accordance with paragraphs B56-B62 of AASB 3 *Business Combinations* (as revised in March 2008), the replacement awards are part of the consideration transferred for Entity B. A tax deduction for the replacement awards will not arise until the options are exercised. The tax deduction will be based on the share options' intrinsic value at that date. Entity A's tax rate is 40 per cent. Entity A recognises a deferred tax asset of CU32 (CU80 intrinsic value x 40%) on the replacement awards at the acquisition date.

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Entity A measures the identifiable net assets obtained in the business combination (excluding deferred tax assets and liabilities) at CU450. The tax base of the identifiable net assets obtained is CU300. Entity A recognises a deferred tax liability of CU60 ((CU450 – CU300) x 40%) on the identifiable net assets at the acquisition date.

Goodwill is calculated as follows:

	CU
Cash consideration	400
Market-based measure of replacement awards	100
Total consideration transferred	500
Identifiable net assets, excluding deferred tax assets and liabilities	(450)
Deferred tax asset	(32)
Deferred tax liability	60
Goodwill	**78**

Reductions in the carrying amount of goodwill are not deductible for tax purposes. In accordance with paragraph 15(a) of the Standard, Entity A recognises no deferred tax liability for the taxable temporary difference associated with the goodwill recognised in the business combination.

The accounting entry for the business combination is as follows:

	CU	CU
Dr Goodwill	78	
Dr Identifiable net assets	450	
Dr Deferred tax asset	32	
Cr Cash		400
Cr Equity (replacement awards)		100
Cr Deferred tax liability		60

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On 31 December 20X1 the intrinsic value of the replacement awards is CU120. Entity A recognises a deferred tax asset of CU48 (CU120 x 40%). Entity A recognises deferred tax income of CU16 (CU48 – CU32) from the increase in the intrinsic value of the replacement awards. The accounting entry is as follows:

	CU	**CU**
Dr Deferred tax asset	16	
Cr Deferred tax income		16

If the replacement awards had not been tax deductible under current tax law, Entity A would not have recognised a deferred tax asset on the acquisition date. Entity A would have accounted for any subsequent events that result in a tax deduction related to the replacement award in the deferred tax income or expense of the period in which the subsequent event occurred.

Paragraphs B56-B62 of AASB 3 provide guidance on determining which portion of a replacement award is part of the consideration transferred in a business combination and which portion is attributable to future service and thus a post-combination remuneration expense. Deferred tax assets and liabilities on replacement awards that are post-combination expenses are accounted for in accordance with the general principles as illustrated in Example 5.

Amendments to AASB 116

42 Paragraph 44 is amended to read as follows:

44 An entity allocates the amount initially recognised in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. For example, it may be appropriate to depreciate separately the airframe and engines of an aircraft, whether owned or subject to a finance lease. Similarly, if an entity acquires property, plant and equipment subject to an operating lease in which it is the lessor, it may be appropriate to depreciate separately amounts reflected in the cost of that item that are attributable to favourable or unfavourable lease terms relative to market terms.

43 A note concerning paragraph 81C is inserted as follows:

81C [Deleted by the AASB]

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Amendments to AASB 121

44 The heading before paragraphs 48 and 49 is amended and paragraphs 48A-48D are inserted as follows:

Disposal or Partial Disposal of a Foreign Operation

48 ...

48A In addition to the disposal of an entity's entire interest in a foreign operation, the following are accounted for as disposals even if the entity retains an interest in the former subsidiary, associate or jointly controlled entity:

(a) the loss of control of a subsidiary that includes a foreign operation;

(b) the loss of significant influence over an associate that includes a foreign operation; and

(c) the loss of joint control over a jointly controlled entity that includes a foreign operation.

48B On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the non-controlling interests shall be derecognised, but shall not be reclassified to profit or loss.

48C On the partial disposal of a subsidiary that includes a foreign operation, the entity shall re-attribute the proportionate share of the cumulative amount of the exchange differences recognised in other comprehensive income to the non-controlling interests in that foreign operation. In any other partial disposal of a foreign operation the entity shall reclassify to profit or loss only the proportionate share of the cumulative amount of the exchange differences recognised in other comprehensive income.

48D A partial disposal of an entity's interest in a foreign operation is any reduction in an entity's ownership interest in a foreign operation, except those reductions in paragraph 48A that are accounted for as disposals.

49 An entity may dispose or partially dispose of its interest in a foreign operation through sale, liquidation, repayment of share

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capital or abandonment of all, or part of, that entity. The payment of a dividend is part of a disposal only when it constitutes a return of the investment, for example when the dividend is paid out of pre-acquisition profits. A write-down of the carrying amount of a foreign operation, either because of its own losses or because of an impairment recognised by the investor, does not constitute a partial disposal. Accordingly, no part of the foreign exchange gain or loss recognised in other comprehensive income is reclassified to profit or loss at the time of a write-down.

45 A note concerning paragraph 60B is inserted as follows:

60B [Deleted by the AASB]

Amendments to AASB 128

46 Paragraphs 18 and 19 are amended to read as follows:

18 An investor shall discontinue the use of the equity method from the date when it ceases to have significant influence over an associate and shall account for the investment in accordance with AASB 139 from that date, provided the associate does not become a subsidiary or a joint venture as defined in AASB 131. On the loss of significant influence, the investor shall measure at fair value any investment the investor retains in the former associate. The investor shall recognise in profit or loss any difference between:

(a) the fair value of any retained investment and any proceeds from disposing of the part interest in the associate; and

(b) the carrying amount of the investment at the date when significant influence is lost.

19 When an investment ceases to be an associate and is accounted for in accordance with AASB 139, the fair value of the investment at the date when it ceases to be an associate shall be regarded as its fair value on initial recognition as a financial asset in accordance with AASB 139.

47 Paragraph 19A is inserted as follows:

19A If an investor loses significant influence over an associate, the investor shall account for all amounts recognised in other

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comprehensive income in relation to that associate on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by an associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the investor reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over the associate. For example, if an associate has available-for-sale financial assets and the investor loses significant influence over the associate, the investor shall reclassify to profit or loss the gain or loss previously recognised in other comprehensive income in relation to those assets. If an investor's ownership interest in an associate is reduced, but the investment continues to be an associate, the investor shall reclassify to profit or loss only a proportionate amount of the gain or loss previously recognised in other comprehensive income.

48 Paragraph 23 is amended to read as follows:

23 An investment in an associate is accounted for using the equity method from the date on which it becomes an associate. On acquisition of the investment any difference between the cost of the investment and the investor's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as follows:

(a) goodwill relating to an associate is included in the carrying amount of the investment. Amortisation of that goodwill is not permitted.

(b) any excess of the investor's share of the net fair value of the associate's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the investor's share of the associate's profit or loss in the period in which the investment is acquired.

Appropriate ...

49 Paragraph 35 is amended to read as follows:

35 An investment in an associate shall be accounted for in the investor's separate financial statements in accordance with paragraphs 38-43 of AASB 127.

50 A note concerning paragraph 41B is inserted as follows:

41B [Deleted by the AASB]

Amendments to AASB 131

51 Paragraph 45 is amended to read as follows:

45 When an investor ceases to have joint control over an entity, it shall account for any remaining investment in accordance with AASB 139 from that date, provided that the former jointly controlled entity does not become a subsidiary or associate. From the date when a jointly controlled entity becomes a subsidiary of an investor, the investor shall account for its interest in accordance with AASB 127 and AASB 3 *Business Combinations* (as revised in March 2008). From the date when a jointly controlled entity becomes an associate of an investor, the investor shall account for its interest in accordance with AASB 128. On the loss of joint control, the investor shall measure at fair value any investment the investor retains in the former jointly controlled entity. The investor shall recognise in profit or loss any difference between:

(a) the fair value of any retained investment and any proceeds from disposing of the part interest in the jointly controlled entity; and

(b) the carrying amount of the investment at the date when joint control is lost.

52 Paragraphs 45A and 45B are inserted as follows:

45A When an investment ceases to be a jointly controlled entity and is accounted for in accordance with AASB 139, the fair value of the investment when it ceases to be a jointly controlled entity shall be regarded as its fair value on initial recognition as a financial asset in accordance with AASB 139.

45B If an investor loses joint control of an entity, the investor shall account for all amounts recognised in other comprehensive income in relation to that entity on the same basis as would be required if the jointly controlled entity had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income would be

reclassified to profit or loss on the disposal of the related assets or liabilities, the investor reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the investor loses joint control of the entity. For example, if a jointly controlled entity has available-for-sale financial assets and the investor loses joint control of the entity, the investor shall reclassify to profit or loss the gain or loss previously recognised in other comprehensive income in relation to those assets. If an investor's ownership interest in a jointly controlled entity is reduced, but the investment continues to be a jointly controlled entity, the investor shall reclassify to profit or loss only a proportionate amount of the gain or loss previously recognised in other comprehensive income.

53 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 38-43 of AASB 127.

54 A note concerning paragraph 58A is inserted as follows:

58A [Deleted by the AASB]

Amendments to AASB 132

55 Paragraph 4(c) is deleted and a note added as follows:

(c) [Deleted by the IASB]

56 A note concerning paragraph 97B is inserted as follows:

97B [Deleted by the AASB]

Amendments to AASB 133

57 Paragraph 22 is amended to read as follows:

22 Ordinary shares issued as part of the consideration transferred in a business combination are included in the weighted average number of shares from the acquisition date. This is because the acquirer incorporates into its statement of comprehensive income the acquiree's profits and losses from that date.

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Amendments to AASB 134

58 Paragraph 16(i) is amended to read as follows:

(i) **the effect of changes in the composition of the entity during the interim period, including business combinations, obtaining or losing control of subsidiaries and long-term investments, restructurings, and discontinued operations. In the case of business combinations, the entity shall disclose the information required by AASB 3 *Business Combinations*; and**

59 A note concerning paragraph 48 is inserted as follows:

48 [Deleted by the AASB]

Amendments to AASB 136

60 In paragraph 6, the definition of the agreement date is deleted.

61 Paragraph 65 is amended to read as follows:

65 Paragraphs 66-108 and Appendix C set out the requirements for identifying the cash-generating unit to which an asset belongs and determining the carrying amount of, and recognising impairment losses for, cash-generating units and goodwill.

62 Paragraphs 81 and 85 are amended to read as follows:

81 Goodwill recognised in a business combination is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. Goodwill does not generate cash flows independently of other assets or groups of assets, and often contributes to the cash flows of multiple cash-generating units. Goodwill sometimes cannot be allocated on a non-arbitrary basis to individual cash-generating units, but only to groups of cash-generating units. As a result, the lowest level within the entity at which the goodwill is monitored for internal management purposes sometimes comprises a number of cash-generating units to which the goodwill relates, but to which it cannot be allocated. References in paragraphs 83-99 and Appendix C to a cash-generating unit to which goodwill is allocated should be read as references also to a group of cash-generating units to which goodwill is allocated.

85 In accordance with AASB 3 *Business Combinations*, if the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected, the acquirer:

(a) accounts for the combination using those provisional values; and

(b) recognises any adjustments to those provisional values as a result of completing the initial accounting within the measurement period, which shall not exceed twelve months from the acquisition date.

In such circumstances, it might also not be possible to complete the initial allocation of the goodwill recognised in the combination before the end of the annual period in which the combination is effected. When this is the case, the entity discloses the information required by paragraph 133.

63 After paragraph 90 the heading and paragraphs 91-95 are deleted.

64 The note concerning paragraph 138 is amended to read as follows:

138 [Deleted by the IASB]

65 A note concerning paragraph 140B is inserted as follows:

140B [Deleted by the AASB]

66 A new appendix (Appendix C)[1] is inserted as follows. It incorporates the requirements of the deleted paragraphs 91-95.

APPENDIX C

This appendix is an integral part of the Standard.

Impairment Testing Cash-generating Units with Goodwill and Non-controlling Interests

C1 In accordance with AASB 3 (as revised in March 2008), the acquirer measures and recognises goodwill as of the acquisition date as the excess of (a) over (b) below:

1 Appendix B "Amendments to IAS 16" of IAS 36 has been excluded from the earlier version and the current version of AASB 136. To align IASB and AASB references to appendices, this Standard inserts Appendix C despite the absence of an Appendix B.

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(a) the aggregate of:

   (i) the consideration transferred measured in accordance with AASB 3, which generally requires acquisition-date fair value;

   (ii) the amount of any non-controlling interest in the acquiree measured in accordance with AASB 3; and

   (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.

(b) the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed measured in accordance with AASB 3.

Allocation of Goodwill

C2 Paragraph 80 of this Standard requires goodwill acquired in a business combination to be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, 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. It is possible that some of the synergies resulting from a business combination will be allocated to a cash-generating unit in which the non-controlling interest does not have an interest.

Testing for Impairment

C3 Testing for impairment involves comparing the recoverable amount of a cash-generating unit with the carrying amount of the cash-generating unit.

C4 If an entity measures non-controlling interests as its proportionate interest in the net identifiable assets of a subsidiary at the acquisition date, rather than at fair value, goodwill attributable to non-controlling interests is included in the recoverable amount of the related cash-generating unit but is not recognised in the parent's consolidated financial statements. As a consequence, an entity shall gross up the carrying amount of goodwill allocated to the unit to include the goodwill attributable to the non-controlling interest. This adjusted carrying amount is then compared with the recoverable amount of the unit to determine whether the cash-generating unit is impaired.

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Allocating an Impairment Loss

C5 Paragraph 104 requires any identified impairment loss to be allocated first to reduce the carrying amount of goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

C6 If a subsidiary, or part of a subsidiary, with a non-controlling interest is itself a cash-generating unit, the impairment loss is allocated between the parent and the non-controlling interest on the same basis as that on which profit or loss is allocated.

C7 If a subsidiary, or part of a subsidiary, with a non-controlling interest is part of a larger cash-generating unit, goodwill impairment losses are allocated to the parts of the cash-generating unit that have a non-controlling interest and the parts that do not. The impairment losses should be allocated to the parts of the cash-generating unit on the basis of:

(a) to the extent that the impairment relates to goodwill in the cash-generating unit, the relative carrying values of the goodwill of the parts before the impairment; and

(b) to the extent that the impairment relates to identifiable assets in the cash-generating unit, the relative carrying values of the net identifiable assets of the parts before the impairment. Any such impairment is allocated to the assets of the parts of each unit pro rata on the basis of the carrying amount of each asset in the part.

In those parts that have a non-controlling interest, the impairment loss is allocated between the parent and the non-controlling interest on the same basis as that on which profit or loss is allocated.

C8 If an impairment loss attributable to a non-controlling interest relates to goodwill that is not recognised in the parent's consolidated financial statements (see paragraph C4), that impairment is not recognised as a goodwill impairment loss. In such cases, only the impairment loss relating to the goodwill that is allocated to the parent is recognised as a goodwill impairment loss.

C9 Illustrative Example 7 illustrates the impairment testing of a non-wholly-owned cash-generating unit with goodwill.

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67 In the Illustrative Examples of AASB 136, Example 7 is amended to read as follows:

Example 7 – Impairment Testing Cash-generating Units with Goodwill and Non-controlling Interests

Example 7A – Non-controlling Interests Measured Initially as a Proportionate Share of the Net Identifiable Assets

In this example, tax effects are ignored.

Background

IE62 Parent acquires an 80 per cent ownership interest in Subsidiary for CU2,100 on 1 January 20X3. At that date, Subsidiary's net identifiable assets have a fair value of CU1,500. Parent chooses to measure the non-controlling interests as the proportionate interest of Subsidiary's net identifiable assets of CU300 (20% of CU1,500). Goodwill of CU900 is the difference between the aggregate of the consideration transferred and the amount of the non-controlling interests (CU2,100 + CU300) and the net identifiable assets (CU1,500).

IE63 The assets of Subsidiary together are the smallest group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Therefore Subsidiary is a cash-generating unit. Because other cash-generating units of Parent are expected to benefit from the synergies of the combination, the goodwill of CU500 related to those synergies has been allocated to other cash-generating units within Parent. Because the cash-generating unit comprising Subsidiary includes goodwill within its carrying amount, it must be tested for impairment annually, or more frequently if there is an indication that it may be impaired (see paragraph 90 of AASB 136).

IE64 At the end of 20X3, Parent determines that the recoverable amount of cash-generating unit Subsidiary is CU1,000. The carrying amount of the net assets of Subsidiary, excluding goodwill, is CU1,350.

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Testing Subsidiary (Cash-generating Unit) for Impairment

IE65 Goodwill attributable to non-controlling interests is included in Subsidiary's recoverable amount of CU1,000 but has not been recognised in Parent's consolidated financial statements. Therefore, in accordance with paragraph C4 of Appendix C of AASB 136, the carrying amount of Subsidiary is grossed up to include goodwill attributable to the non-controlling interest, before being compared with the recoverable amount of CU1,000. Goodwill attributable to Parent's 80 per cent interest in Subsidiary at the acquisition date is CU400 after allocating CU500 to other cash-generating units within Parent. Therefore, goodwill attributable to the 20 per cent non-controlling interest in Subsidiary at the acquisition date is CU100.

Schedule 1. Testing Subsidiary for impairment at the end of 20X3

End of 20X3	*Goodwill of Subsidiary*	*Net identifiable assets*	*Total*
	CU	CU	CU
Carrying amount	400	1,350	1,750
Unrecognised non-controlling interest	100	–	100
Adjusted carrying amount	500	1,350	1,850
Recoverable amount			1,000
Impairment loss			850

Allocating the Impairment Loss

IE66 In accordance with paragraph 104 of AASB 136, the impairment loss of CU850 is allocated to the assets in the unit by first reducing the carrying amount of goodwill.

IE67 Therefore, CU500 of the CU850 impairment loss for the unit is allocated to the goodwill. In accordance with paragraph C6 of Appendix C of AASB 136, if the partially-owned subsidiary is itself a cash-generating unit, the goodwill

impairment loss is allocated to the controlling and non-controlling interests on the same basis as that on which profit or loss is allocated. In this example, profit or loss is allocated on the basis of relative ownership interests. Because the goodwill is recognised only to the extent of Parent's 80 per cent ownership interest in Subsidiary, Parent recognises only 80 per cent of that goodwill impairment loss (ie CU400).

IE68 The remaining impairment loss of CU350 is recognised by reducing the carrying amounts of Subsidiary's identifiable assets (see Schedule 2).

Schedule 2. Allocation of the impairment loss for Subsidiary at the end of 20X3

End of 20X3	*Goodwill*	*Net identifiable assets*	*Total*
	CU	CU	CU
Carrying amount	400	1,350	1,750
Impairment loss	(400)	(350)	(750)
Carrying amount after impairment loss	–	1,000	1,000

68 In the Illustrative Examples of AASB 136, Examples 7B and 7C are inserted as follows:

Example 7B – Non-controlling Interests Measured Initially at Fair Value and the Related Subsidiary is a Stand-alone Cash-generating Unit

In this example, tax effects are ignored.

Background

IE68A Parent acquires an 80 per cent ownership interest in Subsidiary for CU2,100 on 1 January 20X3. At that date, Subsidiary's net identifiable assets have a fair value of CU1,500. Parent chooses to measure the non-controlling interests at fair value, which is CU350. Goodwill of CU950 is the difference between the aggregate of the consideration transferred and the amount

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of the non-controlling interests (CU2,100 + CU350) and the net identifiable assets (CU1,500).

IE68B The assets of Subsidiary together are the smallest group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Therefore, Subsidiary is a cash-generating unit. Because other cash-generating units of Parent are expected to benefit from the synergies of the combination, the goodwill of CU500 related to those synergies has been allocated to other cash-generating units within Parent. Because Subsidiary includes goodwill within its carrying amount, it must be tested for impairment annually, or more frequently if there is an indication that it might be impaired (see paragraph 90 of AASB 136).

Testing Subsidiary for Impairment

IE68C At the end of 20X3, Parent determines that the recoverable amount of cash-generating unit Subsidiary is CU1,650. The carrying amount of the net assets of Subsidiary, excluding goodwill, is CU1,350.

Schedule 1. Testing Subsidiary for impairment at the end of 20X3

End of 20X3	*Goodwill*	*Net identifiable assets*	*Total*
	CU	CU	CU
Carrying amount	450	1,350	1,800
Recoverable amount			1,650
Impairment loss			150

Allocating the Impairment Loss

IE68D In accordance with paragraph 104 of AASB 136, the impairment loss of CU150 is allocated to the assets in the unit by first reducing the carrying amount of goodwill.

IE68E Therefore, the full amount of impairment loss of CU150 for the unit is allocated to the goodwill. In accordance with

paragraph C6 of Appendix C of AASB 136, if the partially-owned subsidiary is itself a cash-generating unit, the goodwill impairment loss is allocated to the controlling and non-controlling interests on the same basis as that on which profit or loss is allocated.

Example 7C – Non-controlling Interests Measured Initially at Fair Value and the Related Subsidiary is part of a Larger Cash-generating Unit

In this example, tax effects are ignored.

Background

IE68F Suppose that, for the business combination described in paragraph IE68A of Example 7B, the assets of Subsidiary will generate cash inflows together with other assets or groups of assets of Parent. Therefore, rather than Subsidiary being the cash-generating unit for the purposes of impairment testing, Subsidiary becomes part of a larger cash-generating unit, Z. Other cash-generating units of Parent are also expected to benefit from the synergies of the combination. Therefore, goodwill related to those synergies, in the amount of CU500, has been allocated to those other cash-generating units. Z's goodwill related to previous business combinations is CU800.

IE68G Because Z includes goodwill within its carrying amount, both from Subsidiary and from previous business combinations, it must be tested for impairment annually, or more frequently if there is an indication that it might be impaired (see paragraph 90 of AASB 136).

Testing Subsidiary for Impairment

IE68H At the end of 20X3, Parent determines that the recoverable amount of cash-generating unit Z is CU3,300. The carrying amount of the net assets of Z, excluding goodwill, is CU2,250.

Schedule 3. Testing Z for impairment at the end of 20X3

End of 20X3	*Goodwill*	*Net identifiable assets*	*Total*
	CU	CU	CU
Carrying amount	1,250	2,250	3,500
Recoverable amount			3,300
Impairment loss			200

Allocating the Impairment Loss

IE68I In accordance with paragraph 104 of AASB 136, the impairment loss of CU200 is allocated to the assets in the unit by first reducing the carrying amount of goodwill. Therefore, the full amount of impairment loss of CU200 for cash-generating unit Z is allocated to the goodwill. In accordance with paragraph C7 of Appendix C of AASB 136, if the partially-owned Subsidiary forms part of a larger cash-generating unit, the goodwill impairment loss would be allocated first to the parts of the cash-generating unit, Z, and then to the controlling and non-controlling interests of the partially-owned Subsidiary.

IE68J Parent allocates the impairment loss to the parts of the cash-generating unit on the basis of the relative carrying values of the goodwill of the parts before the impairment. In this example Subsidiary is allocated 36 per cent of the impairment (450/1,250). The impairment loss is then allocated to the controlling and non-controlling interests on the same basis as that on which profit or loss is allocated.

Amendments to AASB 137

69 Paragraph 5 is amended to read as follows:

5 When another Australian Accounting Standard deals with a specific type of provision, contingent liability or contingent asset, an entity applies that Standard instead of this Standard. For example, some types of provisions are addressed in Standards on:

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(a) construction contracts (see AASB 111 *Construction Contracts*);

...

Amendments to AASB 138

70 In paragraph 8, the definition of the agreement date is deleted.

71 Paragraphs 11, 12, 25 and 33-35 are amended as follows:

11 The definition of an intangible asset requires an intangible asset to be identifiable to distinguish it from goodwill. Goodwill recognised in a business combination is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. The future economic benefits may result from synergy between the identifiable assets acquired or from assets that, individually, do not qualify for recognition in the financial statements.

12 An asset is identifiable if it either:

(a) is separable, ie is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so; or

(b) arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

25 Normally, the price an entity pays to acquire separately an intangible asset will reflect expectations about the probability that the expected future economic benefits embodied in the asset will flow to the entity. In other words, the entity expects there to be an inflow of economic benefits, even if there is uncertainty about the timing or the amount of the inflow. Therefore, the probability recognition criterion in paragraph 21(a) is always considered to be satisfied for separately acquired intangible assets.

33 In accordance with AASB 3 *Business Combinations* (as revised in March 2008), if an intangible asset is acquired in a business

combination, the cost of that intangible asset is its fair value at the acquisition date. The fair value of an intangible asset will reflect expectations about the probability that the expected future economic benefits embodied in the asset will flow to the entity. In other words, the entity expects there to be an inflow of economic benefits, even if there is uncertainty about the timing or the amount of the inflow. Therefore, the probability recognition criterion in paragraph 21(a) is always considered to be satisfied for intangible assets acquired in business combinations. If an asset acquired in a business combination is separable or arises from contractual or other legal rights, sufficient information exists to measure reliably the fair value of the asset. Thus, the reliable measurement criterion in paragraph 21(b) is always considered to be satisfied for intangible assets acquired in business combinations.

34 In accordance with this Standard and AASB 3 (as revised in March 2008), an acquirer recognises at the acquisition date, separately from goodwill, an intangible asset of the acquiree, irrespective of whether the asset had been recognised by the acquiree before the business combination. This means that the acquirer recognises as an asset separately from goodwill an in-process research and development project of the acquiree if the project meets the definition of an intangible asset. An acquiree's in-process research and development project meets the definition of an intangible asset when it:

(a) meets the definition of an asset; and

(b) is identifiable, ie is separable or arises from contractual or other legal rights.

Measuring the Fair Value of an Intangible Asset Acquired in a Business Combination

35 If an intangible asset acquired in a business combination is separable or arises from contractual or other legal rights, sufficient information exists to measure reliably the fair value of the asset. When, for the estimates used to measure an intangible asset's fair value, there is a range of possible outcomes with different probabilities, that uncertainty enters into the measurement of the asset's fair value.

72 The note concerning paragraph 38 is amended to read as follows:

38 [Deleted by the IASB]

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73 Paragraphs 68 and 69 are amended to read as follows:

68 Expenditure on an intangible item shall be recognised as an expense when it is incurred unless:

(a) it forms part of the cost of an intangible asset that meets the recognition criteria (see paragraphs 18-67); or

(b) the item is acquired in a business combination and cannot be recognised as an intangible asset. If this is the case, it forms part of the amount recognised as goodwill at the acquisition date (see AASB 3).

69 In some cases, expenditure is incurred to provide future economic benefits to an entity, but no intangible asset or other asset is acquired or created that can be recognised. In these cases, the expenditure is recognised as an expense when it is incurred. For example, expenditure on research is recognised as an expense when it is incurred (see paragraph 54), except when it forms part of a business combination. Other examples of expenditure that is recognised as an expense when it is incurred include:

(a) ...

74 Paragraph 94 is amended to read as follows:

94 The useful life of an intangible asset that arises from contractual or other legal rights shall not exceed the period of the contractual or other legal rights, but may be shorter depending on the period over which the entity expects to use the asset. If the contractual or other legal rights are conveyed for a limited term that can be renewed, the useful life of the intangible asset shall include the renewal period(s) only if there is evidence to support renewal by the entity without significant cost. The useful life of a reacquired right recognised as an intangible asset in a business combination is the remaining contractual period of the contract in which the right was granted and shall not include renewal periods.

75 Paragraph 115A is inserted as follows:

115A In the case of a reacquired right in a business combination, if the right is subsequently reissued (sold) to a third party, the related carrying amount, if any, shall be used in determining the gain or loss on reissue.

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76 The note concerning paragraph 129 is amended to read as follows:

129 [Deleted by the IASB]

77 A note concerning paragraph 130C is inserted as follows:

130C [Deleted by the AASB]

Amendments to AASB 139

78 The note concerning paragraph 2(f) is deleted and a note added as follows:

(f) [Deleted by the IASB]

79 The last sentence of paragraph 102 is amended to read as follows:

102 ...The gain or loss on the hedging instrument relating to the effective portion of the hedge that has been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment (see AASB 101 (revised 2007)) in accordance with paragraphs 48-49 of AASB 121 on the disposal or partial disposal of the foreign operation.

80 Notes concerning paragraphs 103D and 103E are inserted as follows:

103D [Deleted by the AASB]

103E [Deleted by the AASB]

Amendments to Interpretation 9

81 Paragraph 5 of Interpretation 9 is footnoted as follows:

5 This Interpretation does not address the acquisition of contracts with embedded derivatives in a business combination nor their possible reassessment at the date of acquisition.*

* AASB 3 (as revised in March 2008) addresses the acquisition of contracts with embedded derivatives in a business combination.

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Amendments to Interpretation 107

82 Paragraph 4 is amended to read as follows:

4 This means that, in particular:

(a) …

(b) cumulative exchange differences relating to the translation of financial statements of foreign operations, recognised in other comprehensive income, shall be accumulated in equity and shall be reclassified from equity to profit or loss only on the disposal or partial disposal of the net investment in the foreign operation; and …

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DELETED IFRS TEXT

Deleted IFRS text is not part of AASB 2008-3.

IFRS 1 *First-time Adoption of International Financial Reporting Standards*

Deleted IFRS 1 text is not part of AASB 1.

Paragraph 47I

IFRS 3 (as revised in 2008) amended paragraphs 14, B1, B2(f) and B2(g). An entity shall apply those amendments for annual periods beginning on or after 1 July 2009. If an entity applies IFRS 3 (revised 2008) for an earlier period, the amendments shall also be applied for that earlier period.

Paragraph 47J

IAS 27 (as amended in 2008) amended paragraphs 26 and 34C. An entity shall apply those amendments for annual periods beginning on or after 1 July 2009. If an entity applies IAS 27 (amended 2008) for an earlier period, the amendments shall be applied for that earlier period.

IFRS 2 *Share-based Payment*

Deleted IFRS 2 text is not part of AASB 2.

Paragraph 61

IFRS 3 (as revised in 2008) amended paragraph 5. An entity shall apply that amendment for annual periods beginning on or after 1 July 2009. If an entity applies IFRS 3 (revised 2008) for an earlier period, the amendment shall also be applied for that earlier period.

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IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

Deleted IFRS 5 text is not part of AASB 5.

Paragraph 44B

IAS 27 (as amended in 2008) added paragraph 33(d). An entity shall apply that amendment for annual periods beginning on or after 1 July 2009. If an entity applies IAS 27 (amended 2008) for an earlier period, the amendment shall be applied for that earlier period. The amendment shall be applied retrospectively.

IFRS 7 *Financial Instruments: Disclosures*

Deleted IFRS 7 text is not part of AASB 7.

Paragraph 44B

IFRS 3 (as revised in 2008) deleted paragraph 3(c). An entity shall apply that amendment for annual periods beginning on or after 1 July 2009. If an entity applies IFRS 3 (revised 2008) for an earlier period, the amendment shall also be applied for that earlier period.

IAS 1 *Presentation of Financial Statements*

Deleted IAS 1 text is not part of AASB 101.

Paragraph 139A

IAS 27 (as amended in 2008) amended paragraph 106. An entity shall apply that amendment for annual periods beginning on or after 1 July 2009. If an entity applies IAS 27 (amended 2008) for an earlier period, the amendment shall be applied for that earlier period. The amendment shall be applied retrospectively.

IAS 7 *Statement of Cash Flows*

Deleted IAS 7 text is not part of AASB 107.

Paragraph 54

IAS 27 (as amended in 2008) amended paragraphs 39-42 and added paragraphs 42A and 42B. An entity shall apply those amendments for annual periods beginning on or after 1 July 2009. If an entity applies IAS 27 (amended 2008) for an earlier period, the amendments shall be applied for that earlier period. The amendments shall be applied retrospectively.

IAS 12 *Income Taxes*

Deleted IAS 12 text is not part of AASB 112.

Paragraph 95

IFRS 3 (as revised in 2008) amended paragraphs 21 and 67 and added paragraphs 32A and 81(j) and (k). An entity shall apply those amendments for annual periods beginning on or after 1 July 2009. If an entity applies IFRS 3 (revised 2008) for an earlier period, the amendments shall also be applied for that earlier period.

IAS 16 *Property, Plant and Equipment*

Deleted IAS 16 text is not part of AASB 116.

Paragraph 81C

IFRS 3 *Business Combinations* (as revised in 2008) amended paragraph 44. An entity shall apply that amendment for annual periods beginning on or after 1 July 2009. If an entity applies IFRS 3 (revised 2008) for an earlier period, the amendment shall also be applied for that earlier period.

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IAS 21 *The Effect of Changes in Foreign Exchange Rates*

Deleted IAS 21 text is not part of AASB 121.

Paragraph 60B

IAS 27 (as amended in 2008) added paragraphs 48A-48D and amended paragraph 49. An entity shall apply those amendments for annual periods beginning on or after 1 July 2009. If an entity applies IAS 27 (amended 2008) for an earlier period, the amendments shall be applied for that earlier period.

IAS 28 *Investments in Associates*

Deleted IAS 28 text is not part of AASB 128.

Paragraph 41B

IAS 27 (as amended in 2008) amended paragraphs 18, 19 and 35 and added paragraph 19A. An entity shall apply those amendments for annual periods beginning on or after 1 July 2009. If an entity applies IAS 27 (amended 2008) for an earlier period, the amendments shall be applied for that earlier period.

IAS 31 *Interests in Joint Ventures*

Deleted IAS 31 text is not part of AASB 131.

Paragraph 58A

IAS 27 (as amended in 2008) amended paragraphs 45 and 46 and added paragraphs 45A and 45B. An entity shall apply those amendments for annual periods beginning on or after 1 July 2009. If an entity applies IAS 27 (amended 2008) for an earlier period, the amendments shall be applied for that earlier period.

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IAS 32 *Financial Instruments: Presentation*

Deleted IAS 32 text is not part of AASB 132.

Paragraph 97B

IFRS 3 (as revised in 2008) deleted paragraph 4(c). An entity shall apply that amendment for annual periods beginning on or after 1 July 2009. If an entity applies IFRS 3 (revised 2008) for an earlier period, the amendment shall also be applied for that earlier period.

IAS 34 *Interim Financial Reporting*

Deleted IAS 34 text is not part of AASB 134.

Paragraph 48

IFRS 3 (as revised in 2008) amended paragraph 16(i). An entity shall apply that amendment for annual periods beginning on or after 1 July 2009. If an entity applies IFRS 3 (revised 2008) for an earlier period, the amendment shall also be applied for that earlier period.

IAS 36 *Impairment of Assets*

Deleted IAS 36 text is not part of AASB 136.

Paragraph 140B

IFRS 3 (as revised in 2008) amended paragraphs 65, 81, 85 and 139, deleted paragraphs 91-95 and 138 and added Appendix C. An entity shall apply those amendments for annual periods beginning on or after 1 July 2009. If an entity applies IFRS 3 (revised 2008) for an earlier period, the amendments shall also be applied for that earlier period.

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IAS 38 *Intangible Assets*

Deleted IAS 38 text is not part of AASB 138.

Paragraph 130C

IFRS 3 (as revised in 2008) amended paragraphs 12, 33-35, 68, 69, 94 and 130, deleted paragraphs 38 and 129 and added paragraph 115A. An entity shall apply prospectively those amendments for annual periods beginning on or after 1 July 2009. Therefore, amounts recognised for intangible assets and goodwill in prior business combinations shall not be adjusted. If an entity applies IFRS 3 (revised 2008) for an earlier period, the amendments shall also be applied for that earlier period.

IAS 39 *Financial Instruments: Recognition and Measurement*

Deleted IAS 39 text is not part of AASB 139.

Paragraph 103D

IFRS 3 (as revised in 2008) deleted paragraph 2(f). An entity shall apply that amendment for annual periods beginning on or after 1 July 2009. If an entity applies IFRS 3 (revised 2008) for an earlier period, the amendment shall also be applied for that earlier period.

Paragraph 103E

IAS 27 (as amended in 2008) amended paragraph 102. An entity shall apply that amendment for annual periods beginning on or after 1 July 2009. If an entity applies IAS 27 (amended 2008) for an earlier period, the amendment shall be applied for that earlier period.

Interpretation 107 *Introduction of the Euro*

Deleted SIC-7 text is not part of Interpretation 107.

The new paragraph that is added under the heading 'Effective Date' after the paragraph describing the effective date of the IAS 1 amendments

IAS 27 (as amended in 2008) amended paragraph 4(b). An entity shall apply that amendment for annual periods beginning on or after 1 July 2009. If an entity applies IAS 27 (amended 2008) for an earlier period, the amendment shall be applied for that earlier period.

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