

# **Explanatory Statement**

**Accounting Standard AASB 2008-5**  
*Amendments to Australian Accounting*  
*Standards arising from the Annual*  
*Improvements Project*

**July 2008**



**Australian Government**

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**Australian Accounting  
Standards Board**

## **EXPLANATORY STATEMENT**

### **Standards Amended by AASB 2008-5**

This Standard makes amendments to the following Australian Accounting Standards:

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

*AASB 7 Financial Instruments: Disclosures;*

*AASB 101 Presentation of Financial Statements;*

*AASB 102 Inventories;*

*AASB 107 Statements of Cash Flows;*

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

*AASB 110 Events after the Reporting Period;*

*AASB 116 Property, Plant and Equipment;*

*AASB 118 Revenue;*

*AASB 119 Employee Benefits;*

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

*AASB 123 Borrowing Costs;*

*AASB 127 Consolidated and Separate Financial Statements;*

*AASB 128 Investments in Associates;*

*AASB 129 Financial Reporting in Hyperinflationary Economies;*

*AASB 131 Interests in Joint Ventures;*

*AASB 132 Financial Instruments: Presentation;*

*AASB 134 Interim Financial Reporting;*

*AASB 136 Impairment of Assets;*

**AASB 2008-5**

**2 EXPLANATORY STATEMENT**

AASB 138 *Intangible Assets*;

AASB 139 *Financial Instruments: Recognition and Measurement*;

AASB 140 *Investment Property*;

AASB 141 *Agriculture*;

AASB 1023 *General Insurance Contracts*; and

AASB 1038 *Life Insurance Contracts*;

as a consequence of the annual improvements project.

The amendments result from proposals that were included in Exposure Draft ED 159 *Proposed Improvements to Australian Accounting Standards* issued in October 2007 and follow the issuance of the IASB Standard *Improvements to IFRSs* in May 2008. The IASB's annual improvements project provides a vehicle for making non-urgent but necessary amendments to Standards.

## **Main Features of this Standard**

### **Application Date**

This Standard is applicable to annual reporting periods beginning on or after 1 January 2009, with early adoption permitted for annual reporting periods beginning on or after 1 January 2005 but before 1 January 2009.

The insertion of early adoption conditions in the individual Standards means that the amendments to each of those Standards can be applied separately from the amendments to the other Standards, provided the early adoption conditions in the particular Standard are satisfied.

### **Main Requirements**

The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The subjects of the principal amendments to the Standards are set out below:

| <b>Australian Accounting Standard</b>  | <b>Subject of amendment</b>   |
|--|---|
| <i>AASB 5 Non-current Assets Held for Sale and Discontinued Operations</i>               | Point-of-sale costs   |
| <i>AASB 7 Financial Instruments: Disclosures</i>   | Presentation of finance costs   |
| <i>AASB 101 Presentation of Financial Statements</i>                                     | Current/non-current classification of derivatives                     |
| <i>AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors</i>          | Status of implementation guidance                                     |
| <i>AASB 110 Events after the Reporting Period</i>  | Dividends declared after the end of the reporting period              |
| <i>AASB 116 Property, Plant and Equipment</i>  | Recoverable amount  |
|  | Sale of assets held for rental  |
| <i>AASB 118 Revenue</i>  | Costs of originating a loan   |
| <i>AASB 119 Employee Benefits</i>  | Curtailments and negative past service cost                           |
|  | Plan administration costs   |
|  | Replacement of term 'fall due'  |
|  | Guidance on contingent liabilities                                    |
| <i>AASB 120 Accounting for Government Grants and Disclosure of Government Assistance</i> | Government loans with a below-market rate of interest                 |
|  | Consistency of terminology with other Australian Accounting Standards |
| <i>AASB 123 Borrowing Costs</i>  | Components of borrowing costs   |

| <b>Australian Accounting Standard</b>                              | <b>Subject of amendment</b>   |
|--|---|
| AASB 127 <i>Consolidated and Separate Financial Statements</i>     | Measurement of subsidiary held for sale in separate financial statements  |
| AASB 128 <i>Investments in Associates</i>                          | Required disclosures when investments in associates are accounted for at fair value through profit or loss                |
|  | Impairment of investment in associate   |
| AASB 131 <i>Interests in Joint Ventures</i>                        | Required disclosures when interests in jointly controlled entities are accounted for at fair value through profit or loss |
| AASB 129 <i>Financial Reporting in Hyperinflationary Economies</i> | Description of measurement basis in financial statements  |
|  | Consistency of terminology with other Australian Accounting Standards   |
| AASB 134 <i>Interim Financial Reporting</i>                        | Earnings per share disclosures in interim financial reports   |
| AASB 136 <i>Impairment of Assets</i>                               | Disclosure of estimates used to determine recoverable amount  |
| AASB 138 <i>Intangible Assets</i>                                  | Advertising and promotional activities  |
|  | Unit of production method of amortisation   |
| AASB 139 <i>Financial Instruments: Recognition and Measurement</i> | Reclassification of derivatives into or out of the classification of 'at fair value through profit or loss'               |
|  | Designating and documenting hedges at the segment level   |
|  | Applicable effective interest rate on cessation of fair value hedge accounting  |

| <b>Australian Accounting Standard</b>        | <b>Subject of amendment</b>  |
|--|--|
| AASB 140 <i>Investment Property</i>          | Property under construction or development for future use as investment property |
|  | Consistency of terminology with AASB 108   |
|  | Investment property held under lease   |
| AASB 141 <i>Agriculture</i>                  | Discount rate for fair value calculations  |
|  | Additional biological transformation   |
|  | Examples of agricultural produce and products                                    |
|  | Point-of-sale costs  |
| AASB 1023 <i>General Insurance Contracts</i> | Investments not classified for sale under AASB 5                                 |
| AASB 1038 <i>Life Insurance Contracts</i>    | Investments not classified for sale under AASB 5                                 |

## **Consultation Prior to Issuing AASB 2008-5**

The AASB issued Exposure Draft ED 159 *Proposed Improvements to Australian Accounting Standards* in October 2007, which invited comments from Australian constituents on proposed amendments to Australian equivalents to IFRSs and consequential amendments to other Australian Accounting Standards arising from the IASB's annual improvements project. Nine submissions were received. The submissions indicated broad support for adopting the changes, although a number of constituents noted that some of the improvements proposed by the IASB would potentially change practice.

A Regulation Impact Statement has not been prepared in connection with the issue of AASB 2008-5 as the amendments made do not have a substantial direct or indirect impact on business or competition, are of a minor or machinery nature or clarify existing requirements.