Accounting Standard **AASB 2009-4**
May 2009

Amendments to Australian Accounting Standards arising from the Annual Improvements Project

[AASB 2 and AASB 138 and AASB Interpretations 9 & 16]

Australian Government

Australian Accounting Standards Board

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Australian Accounting Standard AASB 2009-4 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* is set out in paragraphs 1 – 15. All the paragraphs have equal authority.

PREFACE

Standards Amended by AASB 2009-4

This Standard makes amendments to Australian Accounting Standards AASB 2 *Share-based Payment* and AASB 138 *Intangible Assets* and AASB Interpretations 9 *Reassessment of Embedded Derivatives* and 16 *Hedges of a Net Investment in a Foreign Operation.* These amendments are as a consequence of the annual improvements project.

The amendments result from proposals that were included in Exposure Draft ED 165 *Proposed Improvements to Australian Accounting Standards* issued in August 2008 and proposals included in ED 159 *Proposed Improvements to Australian Accounting Standards* issued in October 2007 and follow the issuance of the IASB Standard *Improvements to IFRSs* in April 2009. 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 July 2009, with early adoption permitted for annual reporting periods beginning on or after 1 January 2005 but before 1 July 2009.

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

Main Requirements

The subjects of the principal amendments to the Standards and Interpretations are set out below:

Australian Accounting Standard or Interpretation	**Subject of amendment**
AASB 2 *Share-based Payment*	Scope of AASB 2 and revised AASB 3
AASB 138 *Intangible Assets*	Additional consequential amendments arising from revised AASB 3

Australian Accounting Standard or Interpretation	**Subject of amendment**
	Measuring the fair value of an intangible asset acquired in a business combination
AASB Interpretation 9 *Reassessment of Embedded Derivatives*	Scope of Interpretation 9 and revised AASB 3
AASB Interpretation 16 *Hedges of a Net Investment in a Foreign Operation*	Amendment to the restriction on the entity that can hold hedging instruments

ACCOUNTING STANDARD AASB 2009-4

The Australian Accounting Standards Board makes Accounting Standard AASB 2009-4 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* under section 334 of the *Corporations Act 2001*.

Bruce Porter
Dated 21 May 2009 Acting Chairman – AASB

ACCOUNTING STANDARD AASB 2009-4

AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS ARISING FROM THE ANNUAL IMPROVEMENTS PROJECT

Objective

1 The objective of this Standard is to make amendments to AASB 2 *Share-based Payment,* AASB 138 *Intangible Assets,* AASB Interpretation 9 *Reassessment of Embedded Derivatives* and AASB Interpretation 16 *Hedges of a Net Investment in a Foreign Operation*, as a consequence of the annual improvements project.

Application

2 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.

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

4 **This Standard may be applied to annual reporting periods beginning on or after 1 January 2005 but before 1 July 2009.**

5 **The insertion of early application conditions in the individual Standards and Interpretations means that the amendments to each of those Standards and Interpretations can be applied separately from the amendments to the other Standards and Interpretations provided the early application conditions in the particular Standard or Interpretation are satisfied.**

6 **This Standard uses underlining, striking out and other typographical material to identify some of the amendments to a Standard or an Interpretation in order to make the amendments more understandable. However, the amendments made by this Standard do not include that underlining, striking out or other typographical material.**

Amendments to AASB 2

7 Paragraph 5 is amended (new text is underlined and deleted text is struck through):

> 5 As noted in paragraph 2, this Standard … However, an entity shall not apply this Standard to transactions in which the entity acquires goods as part of the net assets acquired in a business combination ~~to which~~ as defined by AASB 3 *Business Combinations* (as revised in 2008) ~~applies~~, in a combination of entities or businesses under common control as described in paragraphs B1–B4 of AASB 3, or the contribution of a business on the formation of a joint venture as defined by AASB 131 *Interests in Joint Ventures*. Hence, equity instruments issued … (and therefore within the scope of this Standard).

8 The heading "Effective Date of IFRS 2" above paragraph 60 is amended to read "Effective Date".

9 Paragraph 61 is added:

> 61 AASB 2008-3 *Amendments to Australian Accounting Standards Arising from AASB 3 and AASB 127* and AASB 2009-4 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*, issued in May 2009, amended paragraph 5. An entity shall apply those amendments for annual reporting periods beginning on or after 1 July 2009. Earlier application is permitted. If an entity applies AASB 3 (revised

2008) for an earlier period, the amendments shall also be applied for that earlier period.

Amendments to AASB 138

10 Paragraphs 36, 37, 40, 41 are amended (new text is underlined and deleted text is struck through):

36 An intangible asset acquired in a business combination might be separable, but only together with a related contract, identifiable ~~tangible or intangible~~ asset or liability. ~~For example, a magazine's publishing title might not be able to be sold separately from a related subscriber database, or a trademark for natural spring water might relate to a particular spring and could not be sold separately from the spring.~~ In such cases, the acquirer recognises the intangible ~~group of~~ asset~~s as a single asset~~ separately from goodwill ~~if the individual fair values of the assets in the group are not reliably measurable~~, but together with the related item.

37 ~~Similarly, the terms 'brand' and 'brand name' are often used as synonyms for trademarks and other marks. However, the former are general marketing terms that are typically used to refer to a group of complementary assets such as a trademark (or service mark) and its related trade name, formulas, recipes and technological expertise.~~ The acquirer may recognise~~s~~ a group of complementary intangible assets as a single asset ~~a group of complementary intangible assets comprising a brand if the individual fair values of the complementary assets are not reliably measurable. If the individual fair values of the complementary assets are reliably measurable, an acquirer may recognise them as a single asset~~ provided the individual assets in the group have similar useful lives. For example, the terms 'brand' and 'brand name' are often used as synonyms for trademarks and other marks. However, the former are general marketing terms that are typically used to refer to a group of complementary assets such as a trademark (or service mark) and its related trade name, formulas, recipes and technological expertise.

40 If no active market exists for an intangible asset, its fair value is the amount that the entity would have paid for the asset, at the acquisition date, in an arm's length transaction between knowledgeable and willing parties, on the basis of the best information available. In determining this amount, an entity considers the outcome of recent transactions for similar assets.

For example, an entity may apply multiples reflecting current market transactions to factors that drive the profitability of the asset (such as revenue, operating profit or earnings before interest, tax, depreciation and amortisation).

41 Entities that are ~~regularly~~ involved in the purchase and sale of ~~unique~~ intangible assets may have developed techniques for estimating their fair values indirectly. These techniques may be used for initial measurement of an intangible asset acquired in a business combination if their objective is to estimate fair value and if they reflect current transactions and practices in the industry to which the asset belongs. These techniques include, for example ~~when appropriate~~:

(a) discounting estimated future net cash flows from the asset; or

(b) ~~applying multiples reflecting current market transactions to indicators that drive the profitability of the asset (such as revenue, market shares and operating profit) or to the royalty stream that could be obtained from licensing the intangible asset to~~ estimating the costs the entity avoids by owning the intangible asset and not needing:

(i) to license it from another party in an arm's length transaction (as in the 'relief from royalty' approach, using discounted net cash flows); or

(ii) to recreate or replace it (as in the cost approach).~~; or~~

~~(b) discounting estimated future net cash flows from the asset.~~

11 Paragraphs 130C and 130E are added:

130C AASB 2008-3 *Amendments to Australian Accounting Standards Arising from AASB 3 and AASB 127* amended paragraphs 12, 33-35, 68, 69 and 94, deleted paragraph 38 and added paragraph 115A. AASB 2009-4 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*, issued in May 2009, amended paragraphs 36 and 37. An entity shall apply those amendments prospectively for annual reporting 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 AASB 3 (revised 2008) for an earlier period, it shall apply the amendments for that earlier period and disclose that fact.

130E AASB 2009-4 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*, issued in May 2009, amended paragraphs 40 and 41. An entity shall apply those amendments prospectively for annual reporting periods beginning on or after 1 July 2009. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact.

Amendments to AASB Interpretation 9

12 Paragraph 5 is amended (new text is underlined and deleted text is struck through):

> 5 This Interpretation does not ~~address the acquisition of contracts with embedded derivatives in~~ apply to embedded derivatives in contracts acquired in:
>
> (a) a business combination (as defined in AASB 3 *Business Combinations* (as revised in 2008));
>
> (b) a combination of entities or businesses under common control as described in paragraphs B1–B4 of AASB 3 (revised 2008); or
>
> (c) the formation of a joint venture as defined in AASB 131 *Interests in Joint Ventures*
>
> ~~n~~or their possible reassessment at the date of acquisition.[1]

13 Paragraph 11 is added:

> 11 Paragraph 5 was amended by AASB 2009-4 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*, issued in May 2009. An entity shall apply that amendment prospectively for annual reporting periods beginning on or after 1 July 2009. If an entity applies AASB 3 (as revised in 2008) for an earlier period, it shall apply the amendment for that earlier period and disclose that fact.

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

Amendments to AASB Interpretation 16

14 Paragraph 14 is amended (new text is underlined and deleted text is struck through):

> 14 A derivative or a non-derivative instrument (or a combination of derivative and non-derivative instruments) may be designated as a hedging instrument in a hedge of a net investment in a foreign operation. The hedging instrument(s) may be held by any entity or entities within the group ~~(except the foreign operation that itself is being hedged)~~, as long as the designation, documentation and effectiveness requirements of AASB 139 paragraph 88 that relate to a net investment hedge are satisfied. In particular, the hedging strategy of the group should be clearly documented because of the possibility of different designations at different levels of the group.

15 Paragraph 18 is added:

> 18 An entity shall apply this Interpretation for annual reporting periods beginning on or after 1 October 2008. An entity shall apply the amendment to paragraph 14 made by AASB 2009-4 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*, issued in May 2009, for annual reporting periods beginning on or after 1 July 2009. Earlier application of both is permitted. If an entity applies this Interpretation for a period beginning before 1 October 2008, or the amendment to paragraph 14 before 1 July 2009, it shall disclose that fact.