

Explanatory Statement

Accounting Standard AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*

December 2009



Australian Government

**Australian Accounting
Standards Board**

EXPLANATORY STATEMENT

Standards Amended by AASB 2009-11

This Standard makes amendments to the following Australian Accounting Standards:

1. AASB 1 *First-time Adoption of Australian Accounting Standards*;
2. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*;
3. AASB 3 *Business Combinations*;
4. AASB 4 *Insurance Contracts*;
5. AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*;
6. AASB 7 *Financial Instruments: Disclosures*;
7. AASB 101 *Presentation of Financial Statements*;
8. AASB 102 *Inventories*;
9. AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*;
10. AASB 112 *Income Taxes*;
11. AASB 118 *Revenue*;
12. AASB 121 *The Effects of Changes in Foreign Exchange Rates*;
13. AASB 127 *Consolidated and Separate Financial Statements*;
14. AASB 128 *Investments in Associates*;
15. AASB 131 *Interests in Joint Ventures*;
16. AASB 132 *Financial Instruments: Presentation*;
17. AASB 136 *Impairment of Assets*;
18. AASB 139 *Financial Instruments: Recognition and Measurement*;

19. AASB 1023 *General Insurance Contracts*;
20. AASB 1038 *Life Insurance Contracts*;
21. Interpretation 10 *Interim Financial Reporting and Impairment*; and
22. Interpretation 12 *Service Concession Arrangements*.

These amendments arise from the issuance of AASB 9 *Financial Instruments* in December 2009.

Main Features of this Standard

Application Date

This Standard applies to annual reporting periods beginning on or after 1 January 2013. This Standard shall be applied when AASB 9 is applied. This Standard may be applied to annual reporting periods ending on or after 31 December 2009 that begin before 1 January 2013 provided AASB 9 is also applied for the same period. When an entity applies this Standard to such an annual reporting period, it shall disclose that fact.

Main Requirements

This Standard gives effect to consequential changes arising from the issuance of AASB 9. The Preface to AASB 9 summarises the main requirements of that Standard.

Consultation Prior to Issuing AASB 2009-11

The AASB issued Exposure Draft ED 184 *Financial Instruments: Classification and Measurement* in July 2009. ED 184 reproduced the proposals included in the IASB's Exposure Draft ED/2009/7 *Financial Instruments: Classification and Measurement* without amendment.

The AASB invited comments from Australian constituents on the proposals regarding the classification and measurement of financial instruments, as well as the consequential amendments to other Australian Accounting Standards that would result from the issuance of AASB 9. The AASB received nine written submissions from Australian constituents. Submissions received were generally supportive. However, a number of constituents expressed concerns regarding the proposal to recognise dividends in other comprehensive income when an entity elected to present fair value changes for an investment in an equity instrument in other comprehensive income and the proposal to remove of the cost exemption for investments in equity instruments where the fair value could not be measured reliably.

In its submission to the IASB, the AASB noted the concerns expressed by constituents. The IASB addressed the concerns by allowing dividends that are 'returns on investment', for investments in equity instruments that are not held for trading, to be recognised in profit or loss. The IASB also clarified that, in certain circumstances, cost may be representative of fair value.

A Regulation Impact Statement has not been prepared in connection with the issue of AASB 2009-11 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.