

# **Amendments to Australian Accounting Standards arising from AASB 15**



**Australian Government**

**Australian Accounting  
Standards Board**

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Australian Accounting Standards Board  
Level 7  
600 Bourke Street  
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AUSTRALIA

**Postal address:**  
PO Box 204  
Collins Street West  
Victoria 8007  
AUSTRALIA

Phone: (03) 9617 7637  
Fax: (03) 9617 7608  
E-mail: [publications@aaasb.gov.au](mailto:publications@aaasb.gov.au)  
Website: [www.aasb.gov.au](http://www.aasb.gov.au)

## Other Enquiries

Phone: (03) 9617 7600  
Fax: (03) 9617 7608  
E-mail: [standard@aaasb.gov.au](mailto:standard@aaasb.gov.au)

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### IASB BASES FOR CONCLUSIONS – AMENDMENTS

(available on the AASB website)

### IASB ILLUSTRATIVE EXAMPLES – AMENDMENTS

(available on the AASB website)

Australian Accounting Standard AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15* is set out in paragraphs 1 – 73. All the paragraphs have equal authority.

## **PREFACE**

### **Standards Amended by AASB 2014-5**

This Standard makes amendments to the Australian Accounting Standards and Interpretations listed in paragraph 1 of the Standard.

These amendments arise from the issuance of AASB 15 *Revenue from Contracts with Customers* in December 2014.

### **Main Features of this Standard**

#### **Main Requirements**

This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.

#### **Application Date**

This Standard applies to annual reporting periods beginning on or after 1 January 2017, except that the amendments to AASB 9 (December 2009) and AASB 9 (December 2010) apply to annual reporting periods beginning on or after 1 January 2018. This Standard shall be applied when AASB 15 is applied.

Earlier application is permitted for annual reporting periods beginning on or after 1 January 2005 but before 1 January 2017, except that the amendments to AASB 9 (December 2009) and AASB 9 (December 2010) can only be applied early as set out in those Standards, provided that AASB 15 is also applied to the same period.

## ACCOUNTING STANDARD AASB 2014-5

The Australian Accounting Standards Board makes Accounting Standard AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15* under section 334 of the *Corporations Act 2001*.

Dated 12 December 2014

Kris Peach  
Chair – AASB

## ACCOUNTING STANDARD AASB 2014-5

### ***AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS ARISING FROM AASB 15***

#### **Objective**

- 1 The objective of this Standard is to make amendments to:
- (a) AASB 1 *First-time Adoption of Australian Accounting Standards*;
  - (b) AASB 3 *Business Combinations*;
  - (c) AASB 4 *Insurance Contracts*;
  - (d) AASB 9 *Financial Instruments* (December 2009);
  - (e) AASB 9 *Financial Instruments* (December 2010);
  - (f) AASB 101 *Presentation of Financial Statements*;
  - (g) AASB 102 *Inventories*;
  - (h) AASB 112 *Income Taxes*;
  - (i) AASB 116 *Property, Plant and Equipment*;
  - (j) AASB 134 *Interim Financial Reporting*;
  - (k) AASB 136 *Impairment of Assets*;
  - (l) AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*;
  - (m) AASB 138 *Intangible Assets*;
  - (n) AASB 139 *Financial Instruments: Recognition and Measurement*;
  - (o) AASB 140 *Investment Property*;
  - (p) AASB 1023 *General Insurance Contracts*;
  - (q) AASB 1038 *Life Insurance Contracts*;
  - (r) AASB 1039 *Concise Financial Reports*;
  - (s) AASB 1049 *Whole of Government and General Government Sector Financial Reporting*;
  - (t) AASB 1053 *Application of Tiers of Australian Accounting Standards*;
  - (u) AASB 1056 *Superannuation Entities*;
  - (v) Interpretation 12 *Service Concession Arrangements*;
  - (w) Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*;
  - (x) Interpretation 132 *Intangible Assets – Website Costs*;
  - (y) Interpretation 1031 *Accounting for the Goods and Services Tax (GST)*;
  - (z) Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*; and

- (aa) Interpretation 1052 *Tax Consolidation Accounting*;  
as a consequence of the issuance of AASB 15 *Revenue from Contracts with Customers* in December 2014.

## **Application**

- 2 Subject to paragraphs 3-10, 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 In respect of AASB 101, 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 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.
- 5 In respect of AASB 1038, this Standard applies to each entity that is:**
- (a) a life insurer; or
  - (b) the parent in a group that includes a life insurer;
- when the entity:
- (c) is a reporting entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act;
  - (d) is an other reporting entity and prepares general purpose financial statements; or
  - (e) prepares financial statements that are, or are held out to be, general purpose financial statements.
- 6 In respect of AASB 1039, this Standard applies to a concise financial report prepared by an entity in accordance with paragraph 314(2)(a) in Part 2M.3 of the Corporations Act.**
- 7 In respect of AASB 1049, this Standard applies to each government's whole of government general purpose financial statements and General Government Sector (GGS) financial statements.**
- 8 In respect of AASB 1053, 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;
  - (c) financial statements that are, or are held out to be, general purpose financial statements; and
  - (d) financial statements of GGSs prepared in accordance with AASB 1049.
- 9 In respect of AASB 1056, this Standard applies to:**
- (a) general purpose financial statements of each superannuation entity that is a reporting entity; and
  - (b) financial statements of a superannuation entity that are held out to be general purpose financial statements.

- 10 In respect of Interpretation 1038, this Standard applies to public sector entities as follows:
- (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.
- 11 This Standard applies to annual reporting periods beginning on or after 1 January 2017, except that the amendments to AASB 9 (December 2009) and AASB 9 (December 2010) apply to annual reporting periods beginning on or after 1 January 2018.
- 12 This Standard shall be applied when AASB 15 is applied. This Standard may be applied to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2017, except that the amendments to AASB 9 (December 2009) and AASB 9 (December 2010) can only be applied early as set out in those Standards, provided that AASB 15 is also applied to the same period. When an entity applies this Standard to such an annual reporting period, it shall disclose that fact.
- 13 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. Ellipses (...) are used to help provide the context within which amendments are made and also to indicate text that is not amended.

## Commencement

- 14 This Standard commences on the day this Standard is made by the Australian Accounting Standards Board.

## Amendments to AASB 1

- 15 Paragraph 39X is added as follows:
- 39X AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*, issued in December 2014, deleted paragraph D24 and its related heading and added paragraphs D34–D35 and their related heading. An entity shall apply those amendments when it applies AASB 15.
- 16 In Appendix D, paragraph D24 and its related heading are deleted and paragraphs D34–D35 and their related heading are added as follows:

D24 [Deleted by the IASB]

## Revenue

- D34 A first-time adopter may apply the transition provisions in paragraph C5 of AASB 15. In those paragraphs references to the ‘date of initial application’ shall be interpreted as the beginning of the first Australian-Accounting-Standards reporting period. If a first-time adopter decides to apply those transition provisions, it shall also apply paragraph C6 of AASB 15.
- D35 A first-time adopter is not required to restate contracts that were completed before the earliest period presented. A completed contract is a contract for which the entity has transferred all of the goods or services identified in accordance with previous GAAP.

## Amendments to AASB 3

- 17 Paragraph 56 is amended (new text is underlined and deleted text is struck through) and paragraph 64K is added as follows:
- 56 After initial recognition and until the liability is settled, cancelled or expires, the acquirer shall measure a contingent liability recognised in a business combination at the higher of:
- (a) the amount that would be recognised in accordance with AASB 137; and
  - (b) the amount initially recognised less, if appropriate, ~~the cumulative amortisation amount of income recognised in accordance with AASB 118 Revenue~~ the principles of AASB 15 Revenue from Contracts with Customers.
- ...

64K AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*, issued in December 2014, amended paragraph 56. An entity shall apply that amendment when it applies AASB 15.

## Amendments to AASB 4

18 Paragraphs 4(a) and 4(c) are amended (new text is underlined and deleted text is struck through) and paragraph 41G is added as follows:

4 An entity shall not apply this Standard to:

- (a) product warranties issued directly by a manufacturer, dealer or retailer (see ~~AASB 118 Revenue~~ AASB 15 Revenue from Contracts with Customers and AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*);
- (b) ...
- (c) contractual rights or contractual obligations ... as well as a lessee's residual value guarantee embedded in a finance lease (see AASB 15, AASB 117 *Leases*, ~~AASB 118 Revenue~~ and AASB 138 *Intangible Assets*);
- (d) ...

41G AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*, issued in December 2014, amended paragraphs 4(a), 4(c), B7, B18(h) and B21. An entity shall apply those amendments when it applies AASB 15.

19 In Appendix B, paragraphs B7, B18(h) and B21 are amended (new text is underlined and deleted text is struck through) as follows:

B7 Applying the Standard to the contracts described in paragraph B6 is likely to be no more burdensome than applying the Standard that would be applicable if such contracts were outside the scope of this Standard:

- (a) ...
- (b) If ~~AASB 118 Revenue~~ AASB 15 applied, the service provider would recognise revenue ~~by reference to the stage of completion when (or as) it transfers services to the customer~~ (and subject to other specified criteria). That approach is also acceptable under this Standard, which permits the service provider (i) to continue its existing accounting policies for these contracts unless they involve practices prohibited by paragraph 14 and (ii) to improve its accounting policies if so permitted by paragraphs 22-30.

(c) ...

B18 The following are examples of contracts that are insurance contracts, if the transfer of insurance risk is significant:

- (a) ...
- (h) product warranties. Product warranties issued by another party for goods sold by a manufacturer, dealer or retailer are within the scope of this Standard. However, product warranties issued directly by a manufacturer, dealer or retailer are outside its scope, because they are within the scope of ~~AASB 118~~ AASB 15 and AASB 137;
- (i) ...

B21 If the contracts described in paragraph B19 do not create financial assets or financial liabilities, ~~AASB 118~~ AASB 15 applies. Under ~~AASB 118~~ AASB 15, revenue ~~associated with a transaction involving the rendering of services is recognised by reference to the stage of completion of the transaction if the outcome of the transaction can be estimated reliably~~ when (or as) an entity satisfies a performance obligation by transferring a promised good or service to a customer in an amount that reflects the consideration to which the entity expects to be entitled.

## Amendments to AASB 9 (December 2009)

20 Paragraphs 3.1.1, 5.1.1 and 5.4.5 are amended (new text is underlined and deleted text is struck through) and paragraphs 5.1.2, 5.4.1A and 8.1.5 are added as follows:

**3.1.1 An entity shall recognise a financial asset in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument (see paragraphs AG34 and AG35 of AASB 139). When an entity first recognises a financial asset, it shall classify it in accordance with paragraphs 4.1–4.5 and measure it in accordance with paragraphs 5.1.1–5.1.2.**



**5.1.1** ~~At~~ **Except for trade receivables within the scope of paragraph 5.1.2, at initial recognition, an entity shall measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.**

5.1.2 Notwithstanding the requirement in paragraph 5.1.1, at initial recognition, an entity shall measure trade receivables that do not have a significant financing component (determined in accordance with AASB 15 *Revenue from Contracts with Customers*) at their transaction price (as defined in AASB 15).

5.4.1A *Dividends* are recognised in profit or loss only when:

- (a) the entity's right to receive payment of the dividend is established;
- (b) it is probable that the economic benefits associated with the dividend will flow to the entity; and
- (c) the amount of the dividend can be measured reliably.

5.4.5 If an entity makes the election in paragraph 5.4.4, it shall recognise in profit or loss dividends from that investment ~~when the entity's right to receive payment of the dividend is established in accordance with AASB 118 Revenue~~ in accordance with paragraph 5.4.1A.

8.1.5 AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*, issued in December 2014, amended paragraphs 3.1.1, 5.1.1, 5.4.5 and B5.12. Paragraphs 5.1.2 and 5.4.1A, and a definition to Appendix A, were added. An entity shall apply those amendments when it applies AASB 15.

21 In Appendix A, a definition is added as follows:

**dividends** Distributions of profits to holders of equity instruments in proportion to their holdings of a particular class of capital.

22 In Appendix B, paragraph B5.12 is amended (new text is underlined and deleted text is struck through) as follows:

B5.12 Paragraph 5.4.4 permits an entity to make an irrevocable election to present in other comprehensive income changes in the fair value of an investment in an equity instrument that is not held for trading. This election is made on an instrument-by-instrument (i.e. share-by-share) basis. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss. However, the entity may transfer the cumulative gain or loss within equity. Dividends on such investments are recognised in profit or loss in accordance with ~~AASB 118 Revenue~~ paragraph 5.4.5 unless the dividend clearly represents a recovery of part of the cost of the investment.

## Amendments to AASB 9 (December 2010)

23 Paragraphs 3.1.1, 4.2.1, 5.1.1, 5.2.1 and 5.7.6 are amended (new text is underlined and deleted text is struck through) and paragraphs 5.1.3, 5.7.1A and 7.1.4 are added as follows:

**3.1.1** **An entity shall recognise a financial asset or financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument (see paragraphs B3.1.1 and B3.1.2). When an entity first recognises a financial asset, it shall classify it in accordance with paragraphs 4.1.1–4.1.5 and measure it in accordance with paragraphs 5.1.1 ~~and 5.1.2–5.1.3~~. When an entity first recognises a financial liability, it shall classify it in accordance with paragraphs 4.2.1 and 4.2.2 and measure it in accordance with paragraph 5.1.1.**

**4.2.1** **An entity shall classify all financial liabilities as subsequently measured at amortised cost using the effective interest method, except for:**

- (a) ...
- (c) ***financial guarantee contracts* as defined in Appendix A. After initial recognition, an issuer of such a contract shall (unless paragraph 4.2.1(a) or (b) applies) subsequently measure it at the higher of:**
  - (i) **the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*; and**
  - (ii) **the amount initially recognised (see paragraph 5.1.1) less, when appropriate, the cumulative amortisation amount of income recognised in accordance with AASB 118 Revenue the principles of AASB 15 *Revenue from Contracts with Customers*.**
- (d) **commitments to provide a loan at a below-market interest rate. After initial recognition, an issuer of such a commitment shall (unless paragraph 4.2.1(a) applies) subsequently measure it at the higher of:**

- (i) the amount determined in accordance with AASB 137; and
- (ii) the amount initially recognised (see paragraph 5.1.1) less, when appropriate, the cumulative amortisation amount of income recognised in accordance with AASB 118 the principles of AASB 15.

(e) ...

**5.1.1** ~~At~~ Except for trade receivables within the scope of paragraph 5.1.3, at initial recognition, an entity shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

5.1.3 Notwithstanding the requirement in paragraph 5.1.1, at initial recognition, an entity shall measure trade receivables that do not have a significant financing component (determined in accordance with AASB 15) at their transaction price (as defined in AASB 15).

**5.2.1** After initial recognition, an entity shall measure a financial asset in accordance with paragraphs 4.1.1–4.1.5 at fair value or amortised cost (see paragraphs 9 and AG5–AG8C of AASB 139).

5.7.1A *Dividends* are recognised in profit or loss only when:

- (a) the entity's right to receive payment of the dividend is established;
- (b) it is probable that the economic benefits associated with the dividend will flow to the entity; and
- (c) the amount of the dividend can be measured reliably.

5.7.6 If an entity makes the election in paragraph 5.7.5, it shall recognise in profit or loss dividends from that investment ~~when the entity's right to receive payment of the dividend is established in accordance with AASB 18~~ in accordance with paragraph 5.7.1A.

7.1.4 AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*, issued in December 2014, amended paragraphs 3.1.1, 4.2.1, 5.1.1, 5.2.1, 5.7.6, B3.2.13 and B5.7.1. Paragraphs 5.1.3 and 5.7.1A, and a definition to Appendix A, were added. An entity shall apply those amendments when it applies AASB 15.

24 In Appendix A, a definition is added as follows:

**dividends** Distributions of profits to holders of equity instruments in proportion to their holdings of a particular class of capital.

25 In Appendix B, paragraphs B3.2.13 and B5.7.1 are amended (new text is underlined and deleted text is struck through) as follows:

B3.2.13 The following are examples of how an entity measures a transferred asset and the associated liability under paragraph 3.2.16.

*All assets*

- (a) If a guarantee provided by an entity to pay for default losses on a transferred asset prevents the transferred asset from being derecognised to the extent of the continuing involvement, the transferred asset at the date of the transfer is measured at the lower of (i) the carrying amount of the asset and (ii) the maximum amount of the consideration received in the transfer that the entity could be required to repay ('the guarantee amount'). The associated liability is initially measured at the guarantee amount plus the fair value of the guarantee (which is normally the consideration received for the guarantee). Subsequently, the initial fair value of the guarantee is recognised in profit or loss ~~on a time proportion basis~~ when (or as) the obligation is satisfied (see AASB 118 in accordance with the principles of AASB 15) and the carrying value of the asset is reduced by any impairment losses.

...

B5.7.1 Paragraph 5.7.5 permits an entity to make an irrevocable election to present in other comprehensive income changes in the fair value of an investment in an equity instrument that is not held for trading. This election is made on an instrument-by-instrument (ie share-by-share) basis. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss. However, the entity may transfer the cumulative gain or loss within equity. Dividends on such investments are recognised in profit or loss in accordance with ~~AASB 118~~ paragraph 5.7.6 unless the dividend clearly represents a recovery of part of the cost of the investment.

## Amendments to AASB 101

26 Paragraph 34 is amended (new text is underlined and deleted text is struck through) and paragraph 139N is added as follows:

34 ~~AASB 118 Revenue defines revenue and AASB 15 Revenue from Contracts with Customers requires an entity to measure it revenue from contracts with customers at the fair value of the consideration received or receivable, taking into account the amount of consideration to which the entity expects to be entitled in exchange for transferring promised goods or services. For example, the amount of revenue recognised reflects~~ any trade discounts and volume rebates the entity allows. An entity undertakes, in the course of its ordinary activities, other transactions that do not generate revenue but are incidental to the main revenue-generating activities. An entity presents the results of such transactions, when this presentation reflects the substance of the transaction or other event, by netting any income with related expenses arising on the same transaction. For example:

- (a) an entity presents gains and losses on the disposal of non-current assets, including investments and operating assets, by deducting from the ~~proceeds~~ amount of consideration on disposal the carrying amount of the asset and related selling expenses; and
- (b) ...

139N AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*, issued in December 2014, amended paragraph 34. An entity shall apply that amendment when it applies AASB 15.

## Amendments to AASB 102

27 Paragraphs 2, 8, 29 and 37 are amended (new text is underlined and deleted text is struck through), paragraph 19 is deleted and paragraph 40E is added as follows:

**2 This Standard applies to all inventories, except:**

- (a) ~~work in progress arising under construction contracts, including directly related service contracts (see AASB 111 Construction Contracts); [deleted by the IASB]~~
- (b) ...

8 Inventories encompass goods purchased and held for resale including, for example, merchandise purchased by a retailer and held for resale, or land and other property held for resale. Inventories also encompass finished goods produced, or work in progress being produced, by the entity and include materials and supplies awaiting use in the production process. ~~In the case of a service provider, inventories include the costs of the service, as described in paragraph 19, for which the entity has not yet recognised the related revenue (see AASB 118 Revenue).~~ Costs incurred to fulfil a contract with a customer that do not give rise to inventories (or assets within the scope of another Standard) are accounted for in accordance with AASB 15 Revenue from Contracts with Customers.

19 [Deleted by the IASB]

29 Inventories are usually written down to net realisable value item by item. In some circumstances, however, it may be appropriate to group similar or related items. This may be the case with items of inventory relating to the same product line that have similar purposes or end uses, are produced and marketed in the same geographical area, and cannot be practicably evaluated separately from other items in that product line. It is not appropriate to write inventories down on the basis of a classification of inventory, for example, finished goods, or all the inventories in a particular operating segment. ~~Service providers generally accumulate costs in respect of each service for which a separate selling price is charged. Therefore, each such service is treated as a separate item.~~

37 Information about the carrying amounts held in different classifications of inventories and the extent of the changes in these assets is useful to financial statement users. Common classifications of inventories are merchandise, production supplies, materials, work in progress and finished goods. ~~The inventories of a service provider may be described as work in progress.~~

40E AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*, issued in December 2014, amended paragraphs 2, 8, 29 and 37 and deleted paragraph 19. An entity shall apply those amendments when it applies AASB 15.

## Amendments to AASB 112

28 Paragraph 59 is amended (new text is underlined and deleted text is struck through) and paragraph 98E is added as follows:

- 59 Most deferred tax liabilities and deferred tax assets arise where income or expense is included in accounting profit in one period, but is included in taxable profit (tax loss) in a different period. The resulting deferred tax is recognised in profit or loss. Examples are when:
- (a) interest, royalty or dividend revenue is received in arrears and is included in accounting profit ~~on a time apportionment basis~~ in accordance with ~~AASB 118 Revenue~~ AASB 15 Revenue from Contracts with Customers, AASB 139 Financial Instruments: Recognition and Measurement or AASB 9 Financial Instruments, as relevant, but is included in taxable profit (tax loss) on a cash basis; and
  - (b) ...
- 98E AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*, issued in December 2014, amended paragraph 59. An entity shall apply that amendment when it applies AASB 15.

## Amendments to AASB 116

- 29 Paragraphs 68A, 69 and 72 are amended (new text is underlined and deleted text is struck through) and paragraph 81J is added as follows:
- 68A However, an entity that, in the course of its ordinary ... be recognised as revenue in accordance with ~~AASB 118 Revenue~~ AASB 15 Revenue from Contracts with Customers. AASB 5 does not apply when assets that are held for sale in the ordinary course of business are transferred to inventories.
- 69 The disposal of an item of property, plant and equipment may occur in a variety of ways (e.g. by sale, by entering into a finance lease or by donation). ~~In determining~~ The date of disposal of an item, an entity applies the criteria in AASB 118 for recognising revenue from the sale of goods of property, plant and equipment is the date the recipient obtains control of that item in accordance with the requirements for determining when a performance obligation is satisfied in AASB 15. AASB 117 applies to disposal by a sale and leaseback.
- 72 ~~The amount of consideration receivable on disposal to be included in the gain or loss arising from the derecognition of an item of property, plant and equipment is recognised initially at its fair value. If payment for the item is deferred, the consideration received is recognised initially at the cash price equivalent. The difference between the nominal amount of the consideration and the cash price equivalent is recognised as interest revenue in accordance with AASB 118 reflecting the effective yield on the receivable determined in accordance with the requirements for determining the transaction price in paragraphs 47–72 of AASB 15. Subsequent changes to the estimated amount of the consideration included in the gain or loss shall be accounted for in accordance with the requirements for changes in the transaction price in AASB 15.~~
- 81J AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*, issued in December 2014, amended paragraphs 68A, 69 and 72. An entity shall apply those amendments when it applies AASB 15.

## Amendments to AASB 132

- 30 Paragraph 97Q is added as follows:
- 97Q AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*, issued in December 2014, amended paragraph AG21. An entity shall apply that amendment when it applies AASB 15.
- 31 In the Application Guidance, paragraph AG21 is amended (new text is underlined and deleted text is struck through) as follows:
- AG21 Except as required by AASB 15 Revenue from Contracts with Customers, ~~A~~ a contract that involves the receipt or delivery of physical assets does not give rise to a financial asset of one party and a financial liability of the other party unless any corresponding payment is deferred past the date on which the physical assets are transferred. Such is the case with the purchase or sale of goods on trade credit.

## Amendments to AASB 134

- 32 Paragraph Aus1.10 is amended (new text is underlined and deleted text is struck through) as follows:
- Aus1.10 The following do not apply to entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements:
- (a) paragraphs 5(f), 16A(g), 19 and 21; ~~and~~
  - (b) in paragraph 16A(i), the sentence “In the case of ... required by AASB 3 *Business Combinations*.”; ~~and~~ and

(c) in paragraph 16A(l), the text “115”.

33 Paragraphs 15B and 16A are amended (new text is underlined and deleted text is struck through) and paragraph 55 is added as follows:

15B The following is a list of events and transactions for which disclosures would be required if they are significant; the list is not exhaustive:

- (a) ...
- (b) recognition of a loss from the impairment of financial assets, property, plant and equipment, intangible assets, assets arising from contracts with customers, or other assets, and the reversal of such an impairment loss;
- (c) ...

**16A In addition to disclosing significant events and transactions in accordance with paragraphs 15–15C, an entity shall include the following information, in the notes to its interim financial statements, if not disclosed elsewhere in the interim financial report. The information shall normally be reported on an annual reporting period-to-date basis.**

- (a) ...
- (j) ... **AASB 7 *Financial Instruments: Disclosures*; and**
- (k) ... **AASB 12 *Disclosure of Interests in Other Entities* paragraph 9B.; and**
- (l) the disaggregation of revenue from contracts with customers required by paragraphs 114–115 of AASB 15 *Revenue from Contracts with Customers*.**

55 AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*, issued in December 2014, amended paragraphs 15B and 16A. An entity shall apply those amendments when it applies AASB 15.

## Amendments to AASB 136

34 Paragraph 2 is amended (new text is underlined and deleted text is struck through) and paragraph 140L is added as follows:

**2 This Standard shall be applied in accounting for the impairment of all assets, other than:**

- (a) ...
- (b) ~~assets arising from construction contracts (see AASB 111 *Construction Contracts*)~~ **contract assets and assets arising from costs to obtain or fulfil a contract that are recognised in accordance with AASB 15 *Revenue from Contracts with Customers*;**
- (c) ...

140L AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*, issued in December 2014, amended paragraph 2. An entity shall apply that amendment when it applies AASB 15.

## Amendments to AASB 137

35 Paragraph 5 is amended (new text is underlined and deleted text is struck through), paragraph 6 is deleted and paragraph 100 is added 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:

- (a) ~~construction contracts (see AASB 111 *Construction Contracts*);~~ [deleted by the IASB]
- (b) ...
- (e) insurance contracts (see AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts*, and AASB 1038 *Life Insurance Contracts*). However, this Standard applies to provisions, contingent liabilities and contingent assets of an insurer, other than those arising from its contractual obligations and rights under insurance contracts within the scope of AASB 4, AASB 1023 or AASB 1038; ~~and~~
- (f) contingent consideration of an acquirer in a business combination (see AASB 3 *Business Combinations*); and

- (g) revenue from contracts with customers (see AASB 15 *Revenue from Contracts with Customers*). However, as AASB 15 contains no specific requirements to address contracts with customers that are, or have become, onerous, this Standard applies to such cases.

6 [Deleted by the IASB]

100 AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*, issued in December 2014, amended paragraph 5 and deleted paragraph 6. An entity shall apply those amendments when it applies AASB 15.

- 36 In Part C of the Implementation Guidance accompanying AASB 137, Example 9 is amended (new text is underlined and deleted text is struck through) as follows:

...

**Conclusion** – The guarantee is subsequently measured at the higher of (a) the best estimate of the obligation (see paragraphs 14 and 23), and (b) the amount initially recognised less, when appropriate, the cumulative amortisation amount of income recognised in accordance with AASB 118 *Revenue* the principles of AASB 15 *Revenue from Contracts with Customers*.

## Amendments to AASB 138

- 37 Paragraphs 3, 114 and 116 are amended (new text is underlined and deleted text is struck through) and paragraph 130K is added as follows:

3 If another Standard prescribes the accounting for a specific type of intangible asset, an entity applies that Standard instead of this Standard. For example, this Standard does not apply to:

(a) intangible assets held by an entity for sale in the ordinary course of business (see AASB 102 *Inventories* and AASB 111 *Construction Contracts*);

(b) ...

(i) assets arising from contracts with customers that are recognised in accordance with AASB 15 *Revenue from Contracts with Customers*.

114 The disposal of an intangible asset may occur in a variety of ways (eg by sale, by entering into a finance lease, or by donation). ~~In determining the date of disposal of such an asset, an entity applies the criteria in AASB 118 *Revenue* for recognising revenue from the sale of goods~~ an intangible asset is the date that the recipient obtains control of that asset in accordance with the requirements for determining when a performance obligation is satisfied in AASB 15 *Revenue from Contracts with Customers*. AASB 117 applies to disposal by a sale and leaseback.

116 ~~The amount of consideration receivable on disposal to be included in the gain or loss arising from the derecognition of an intangible asset is recognised initially at its fair value. If payment for the intangible asset is deferred, the consideration received is recognised initially at the cash price equivalent. The difference between the nominal amount of the consideration and the cash price equivalent is recognised as interest revenue in accordance with AASB 118 reflecting the effective yield on the receivable determined in accordance with the requirements for determining the transaction price in paragraphs 47–72 of AASB 15. Subsequent changes to the estimated amount of the consideration included in the gain or loss shall be accounted for in accordance with the requirements for changes in the transaction price in AASB 15.~~

130K AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*, issued in December 2014, amended paragraphs 3, 114 and 116. An entity shall apply those amendments when it applies AASB 15.

## Amendments to AASB 139

- 38 Paragraphs 2, 9, 43, 47 and 55 are amended (new text is underlined and deleted text is struck through) and paragraphs 2A, 44A, 55A and 103T are added as follows:

**2 This Standard shall be applied by all entities to all types of financial instruments except:**

(a) ...

(i) **financial instruments ... this Standard applies; and**

(j) **rights to payments ... in accordance with AASB 137; and**

(k) rights and obligations within the scope of AASB 15 *Revenue from Contracts with Customers* that are financial instruments, except for those that AASB 15 specifies are accounted for in accordance with AASB 9.

2A The impairment requirements of this Standard shall be applied to those rights that AASB 15 specifies are accounted for in accordance with this Standard for the purposes of recognising impairment losses.

9 ...

The *effective interest method* is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see ~~AASB 118 *Revenue* paragraphs AG8A–AG8B~~), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

*Derecognition* is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

*Dividends* are distributions of profits to holders of equity instruments in proportion to their holdings of a particular class of capital.

*Fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. (See AASB 13.)

...

43 When Except for trade receivables within the scope of paragraph 44A, when a financial asset or financial liability is recognised initially, an entity shall measure it at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, *transaction costs* that are directly attributable to the acquisition or issue of the financial asset or financial liability.

44A Notwithstanding the requirement in paragraph 43, at initial recognition, an entity shall measure trade receivables that do not have a significant financing component (determined in accordance with AASB 15) at their transaction price (which is defined in AASB 15).

47 After initial recognition, an entity shall measure all financial liabilities at amortised cost using the effective interest method, except for:

(a) ...

(c) financial guarantee contracts as defined in paragraph 9. After initial recognition, an issuer of such a contract shall (unless paragraph 47(a) or (b) applies) measure it at the higher of:

(i) the amount determined in accordance with AASB 137; and

(ii) the amount initially recognised (see paragraph 43) less, when appropriate, the cumulative amortisation amount of income recognised in accordance with AASB 118 the principles of AASB 15.

(d) commitments to provide a loan at a below-market interest rate. After initial recognition, an issuer of such a commitment shall (unless paragraph 47(a) applies) measure it at the higher of:

(i) the amount determined in accordance with AASB 137; and

(ii) the amount initially recognised (see paragraph 43) less, when appropriate, the cumulative amortisation amount of income recognised in accordance with AASB 118 the principles of AASB 15.

Financial liabilities that are designated as hedged items are subject to the hedge accounting requirements in paragraphs 89–102.

55 A gain or loss arising from a change in the fair value of a financial asset or financial liability that is not part of a hedging relationship (see paragraphs 89–102), shall be recognised, as follows.

(a) ...

(b) A gain or loss on an available-for-sale financial asset shall be recognised in other comprehensive income, except for impairment losses (see paragraphs 67–70) and foreign exchange gains and losses (see Appendix A paragraph AG83), until the financial asset is derecognised. At that time the cumulative gain or loss previously recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment (see AASB 101 *Presentation of Financial Statements* (as revised in 2007)). However, interest calculated using the effective interest method (see paragraph 9) is recognised in profit or loss (see ~~AASB 118~~). Dividends on an available-for-sale equity instrument are recognised in profit or loss ~~when the entity's right to receive payment is established (see AASB 118) in accordance with paragraph 55A.~~

55A Dividends are recognised in profit or loss only when:

- (a) the entity's right to receive payment of the dividend is established;
- (b) it is probable that the economic benefits associated with the dividend will flow to the entity; and
- (c) the amount of the dividend can be measured reliably.

103T AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*, issued in December 2014, amended paragraphs 2, 9, 43, 47, 55, AG2, AG4 and AG48 and added paragraphs 2A, 44A, 55A and AG8A–AG8C. An entity shall apply those amendments when it applies AASB 15.

39 In Appendix A, paragraphs AG2, AG4 and AG48 are amended (new text is underlined and deleted text is struck through) and paragraphs AG8A–AG8C are added as follows:

AG2 This Standard does not change the requirements relating to employee benefit plans that ... and royalty agreements based on the volume of sales or service revenues that are accounted for under ~~AASB 118~~ AASB 15.

AG4 Financial guarantee contracts may have various legal forms, such as a guarantee, some types of letter of credit, a credit default contract or an insurance contract. Their accounting treatment does not depend on their legal form. The following are examples of the appropriate treatment (see paragraph 2(e)).

- (a) ... the issuer measures it at the higher of:
  - (i) the amount determined in accordance with AASB 137; and
  - (ii) the amount initially recognised less, when appropriate, the cumulative amortisation amount of income recognised in accordance with AASB 118 the principles of AASB 15 (see ...
- (b) ...
- (c) If a financial guarantee contract was issued in connection with the sale of goods, the issuer applies ~~AASB 118~~ AASB 15 in determining when it recognises the revenue from the guarantee and from the sale of goods.

AG8A In applying the effective interest method, an entity identifies fees that are an integral part of the effective interest rate of a financial instrument. The description of fees for financial services may not be indicative of the nature and substance of the services provided. Fees that are an integral part of the effective interest rate of a financial instrument are treated as an adjustment to the effective interest rate, unless the financial instrument is measured at fair value, with the change in fair value being recognised in profit or loss. In those cases, the fees are recognised as revenue when the instrument is initially recognised.

AG8B Fees that are an integral part of the effective interest rate of a financial instrument include:

- (a) origination fees received by the entity relating to the creation or acquisition of a financial asset. Such fees may include compensation for activities such as evaluating the borrower's financial condition, evaluating and recording guarantees, collateral and other security arrangements, negotiating the terms of the instrument, preparing and processing documents and closing the transaction. These fees are an integral part of generating an involvement with the resulting financial instrument.
- (b) commitment fees received by the entity to originate a loan when the loan commitment is outside the scope of this Standard and it is probable that the entity will enter into a specific lending arrangement. These fees are regarded as compensation for an ongoing involvement with the acquisition of a financial instrument. If the commitment expires without the entity making the loan, the fee is recognised as revenue on expiry.



- (c) origination fees received on issuing financial liabilities measured at amortised cost. These fees are an integral part of generating an involvement with a financial liability. An entity distinguishes fees and costs that are an integral part of the effective interest rate for the financial liability from origination fees and transaction costs relating to the right to provide services, such as investment management services.

AG8C Fees that are not an integral part of the effective interest rate of a financial instrument and are accounted for in accordance with AASB 15 include:

- (a) fees charged for servicing a loan;
- (b) commitment fees to originate a loan when the loan commitment is outside the scope of this Standard and it is unlikely that a specific lending arrangement will be entered into; and
- (c) loan syndication fees received by an entity that arranges a loan and retains no part of the loan package for itself (or retains a part at the same effective interest rate for comparable risk as other participants).

AG48 The following are examples of how an entity measures a transferred asset and the associated liability under paragraph 30.

**All assets**

- (a) If a guarantee provided by an entity to pay for default losses on a transferred asset prevents the transferred asset from being derecognised to the extent of the continuing involvement, the transferred asset at the date of the transfer is measured at the lower of (i) the carrying amount of the asset and (ii) the maximum amount of the consideration received in the transfer that the entity could be required to repay ('the guarantee amount'). The associated liability is initially measured at the guarantee amount plus the fair value of the guarantee (which is normally the consideration received for the guarantee). Subsequently, the initial fair value of the guarantee is recognised in profit or loss on a time proportion basis when (or as) the obligation is satisfied (see AASB 118 in accordance with the principles of AASB 15) and the carrying value of the asset is reduced by any impairment losses.

...

## Amendments to AASB 140

40 Paragraphs 3, 9, 67 and 70 are amended (new text is underlined and deleted text is struck through) and paragraph 85E is added as follows:

- 3 Among other things, this Standard applies to the measurement in a lessee's financial statements of investment property interests held under a lease accounted for as a finance lease and to the measurement in a lessor's financial statements of investment property provided to a lessee under an operating lease. This Standard does not deal with matters covered in AASB 117 *Leases*, including:
  - (a) classification of leases as finance leases or operating leases;
  - (b) recognition of lease income from investment property (see also ~~AASB 118 Revenue~~ AASB 15 Revenue from Contracts with Customers);
  - (c) ...
- 9 The following are examples of items that are not investment property and are therefore outside the scope of this Standard:
  - (a) ...
  - (b) ~~property being constructed or developed on behalf of third parties (see AASB 111 Construction Contracts)~~; [deleted by the IASB]
  - (c) ...
- 67 The disposal of an investment property may be achieved by sale or by entering into a finance lease. ~~In determining the date of disposal for investment property, an entity applies the criteria in AASB 118 for recognising revenue from the sale of goods and considers the related guidance in the illustrative examples accompanying AASB 118~~ is the date the recipient obtains control of the investment property in accordance with the requirements for determining when a performance obligation is satisfied in AASB 15. AASB 117 applies to a disposal effected by entering into a finance lease and to a sale and leaseback.
- 70 ~~The amount of consideration receivable on disposal to be included in the gain or loss arising from the derecognition of an investment property is recognised initially at fair value. In particular, if payment for an investment property is deferred, the consideration received is recognised initially at the cash price~~

equivalent. The difference between the nominal amount of the consideration and the cash price equivalent is recognised as interest revenue in accordance with AASB 118 using the effective interest method determined in accordance with the requirements for determining the transaction price in paragraphs 47–72 of AASB 15. Subsequent changes to the estimated amount of the consideration included in the gain or loss shall be accounted for in accordance with the requirements for changes in the transaction price in AASB 15.

- 85E AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*, issued in December 2014, amended paragraphs 3, 9, 67 and 70. An entity shall apply those amendments when it applies AASB 15.

## Amendments to AASB 1023

- 41 Paragraph 2.2 is amended (new text is underlined and deleted text is struck through) as follows:

### 2.2 This Standard does not apply to:

- (a) ...
- (b) **product warranties issued directly by a manufacturer, dealer or retailer (see ~~AASB 118 Revenue~~ AASB 15 Revenue from Contracts with Customers and AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*);**
- (c) ...
- (e) **contractual rights or contractual obligations that are contingent on the future use of, or right to use, a non-financial item (for example, some license fees, royalties, contingent lease payments and similar items), as well as a lessee's residual value guarantee embedded in a finance lease (see AASB 15, AASB 117 *Leases*, ~~AASB 118~~ and AASB 138 *Intangible Assets*);**
- (f) ...

- 42 In the Appendix, paragraphs 17(f) and 20 are amended (new text is underlined and deleted text is struck through) as follows:

- 17 The following are examples of contracts that are general insurance contracts, if the transfer of insurance risk is significant:

- (a) ...
- (f) product warranties. Product warranties issued by another party for goods sold by a manufacturer, dealer or retailer are within the scope of this Standard. However, product warranties issued directly by a manufacturer, dealer or retailer are outside its scope, because they are within the scope of ~~AASB 118 Revenue~~ AASB 15 Revenue from Contracts with Customers and AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*;
- (g) ...

- 20 If the contracts described in paragraph 18 of this Appendix do not create financial assets or financial liabilities, ~~AASB 118~~ AASB 15 applies. Under ~~AASB 118~~ AASB 15, revenue associated with a ~~transaction involving the rendering of services is recognised by reference to the stage of completion of the transaction if the outcome of the transaction can be estimated reliably when (or as) an entity satisfies a performance obligation by transferring a promised good or service to a customer in an amount that reflects the consideration to which the entity expects to be entitled.~~

## Amendments to AASB 1038

- 43 Paragraph 12.1.2 is amended (new text is underlined and deleted text is struck through) as follows:

12.1.2 Some life investment contracts involve both the origination of one or more financial instruments and the provision of management services. Life investment contract liabilities arise under the financial instrument element and are treated under AASB 139. The management services element, including associated ~~acquisition~~ incremental costs of obtaining a contract, is treated under ~~AASB 118 Revenue~~ AASB 15 Revenue from Contracts with Customers; this element may also give rise to assets and liabilities. ~~Life insurers shall refer to paragraph 14(b)(iii) in the illustrative examples accompanying AASB 118.~~

- 44 In the Appendix, paragraph 18 is amended (new text is underlined and deleted text is struck through) as follows:

- 18 If the contracts described in paragraph 16 of this Appendix do not create financial assets or financial liabilities, ~~AASB 118~~ AASB 15 applies. Under ~~AASB 118~~ AASB 15, revenue associated with a ~~transaction involving the rendering of services is recognised by reference to the stage of completion of the transaction if the outcome of the transaction can be estimated reliably when (or as) an entity satisfies a~~

performance obligation by transferring a promised good or service to a customer in an amount that reflects the consideration to which the entity expects to be entitled.

## Amendments to AASB 1039

45 Paragraph 30(a) is amended (new text is underlined and deleted text is struck through) as follows:

**30 The following items for the period shall be disclosed even if the amounts are zero (since these items are material by their nature):**

(a) **the amount of sales revenue recognised and included in revenue in accordance with ~~AASB 118 Revenue~~ AASB 15 Revenue from Contracts with Customers;**

(b) ...

## Amendments to AASB 1049

46 Paragraph 22 is amended (new text is underlined and deleted text is struck through) as follows:

22 Income from GGS investments in controlled entities in the PNFC sector and PFC sector is accounted for in accordance with ~~AASB 118 Revenue~~ and AASB 139. Dividends are classified as revenue consistent with ~~AASB 118~~ AASB 139. A change in the carrying amount of the investment over the reporting period that does not arise from the government acquiring or disposing of an interest or undistributed dividends is classified as a gain or loss. The gain or loss is included in the operating result or other comprehensive income, depending on whether the investment is classified in the same manner as 'fair value through profit or loss' investments or in the same manner as 'available-for-sale' investments consistent with the principles in AASB 139.

## Amendments to AASB 1053

47 Paragraph BC81 is amended (new text is underlined and deleted text is struck through) as follows:

BC81 AASB 2010-2 specifies the disclosures in each Australian Accounting Standard from which Tier 2 entities are exempted. However, some Standards are equally applicable to both Tier 1 and Tier 2 entities.

Accordingly, such Standards do not provide reduced disclosures for Tier 2 entities. Examples are ~~AASB 118 Revenue~~ AASB 4 Insurance Contracts and AASB 1004 *Contributions*.

## Amendments to AASB 1056

48 Paragraph AG5 is amended (new text is underlined and deleted text is struck through) as follows:

AG5 When a superannuation entity applies the recognition and measurement principles and requirements in other Australian Accounting Standards, the entity would also apply any relevant disclosure principles and requirements contained in those other Standards unless they are specifically modified by this Standard. Australian Accounting Standards that contain disclosure principles and requirements, some or all of which a superannuation entity would apply, when relevant, include but are not limited to the following:

(a) ...

(ba) AASB 15 Revenue from Contracts with Customers;

(c) ...

(h) ~~AASB 118 Revenue~~; and ~~[deleted]~~

(i) ...

## Amendments to Interpretation 12

49 Below the heading 'References', the references to AASB 111 *Construction Contracts* and AASB 118 *Revenue* are deleted and a reference to AASB 15 *Revenue from Contracts with Customers* is added.

50 Paragraphs 13–15, 18–20 and 27 are amended (new text is underlined and deleted text is struck through) and paragraph 28D is added as follows:

13 The operator shall recognise and measure revenue in accordance with ~~AASB 111 Construction Contracts~~ and ~~AASB 118 Revenue~~ AASB 15 for the services it performs. ~~If the operator performs more than one service (i.e. construction or upgrade services and operation services) under a single contract or arrangement, consideration received or receivable shall be allocated by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.~~ The nature of the consideration

determines its subsequent accounting treatment. The subsequent accounting for consideration received as a financial asset and as an intangible asset is detailed in paragraphs 23–26 below.

- 14 The operator shall account for ~~revenue and costs relating to~~ construction or upgrade services in accordance with ~~AASB 111~~ AASB 15.
- 15 If the operator provides construction or upgrade services the consideration received or receivable by the operator shall be recognised in accordance with AASB 15 ~~at its fair value~~. The consideration may be rights to:
- (a) ...
- ...
- 18 If the operator is paid for the construction services partly by a financial asset and partly by an intangible asset it is necessary to account separately for each component of the operator's consideration. The consideration received or receivable for both components shall be recognised initially in accordance with AASB 15 ~~at the fair value of the consideration received or receivable~~.
- 19 The nature of the consideration given by the grantor to the operator shall be determined by reference to the contract terms and, when it exists, relevant contract law. The nature of the consideration determines the subsequent accounting as described in paragraphs 23–26. However, both types of consideration are classified as a contract asset during the construction or upgrade period in accordance with AASB 15.
- 20 The operator shall account for ~~revenue and costs relating to~~ operation services in accordance with ~~AASB 118~~ AASB 15.
- 27 In accordance with paragraph 11, infrastructure items to which the operator is given access by the grantor for the purposes of the service arrangement are not recognised as property, plant and equipment of the operator. The grantor may also provide other items to the operator that the operator can keep or deal with as it wishes. If such assets form part of the consideration payable by the grantor for the services, they are not government grants as defined in AASB 120. ~~They are recognised as assets of the operator, measured at fair value on initial recognition. The operator shall recognise a liability in respect of unfulfilled obligations it has assumed in exchange for the assets. Instead, they are accounted for as part of the transaction price as defined in AASB 15.~~
- 28D *AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15*, issued in December 2014, amended the 'References' section and paragraphs 13–15, 18–20 and 27. An entity shall apply those amendments when it applies AASB 15.
- 51 In the Information Note 2 accompanying Interpretation 12, the reference in the table to AASB 118 is replaced with a reference to AASB 15.
- 52 In the Illustrative Examples accompanying Interpretation 12, paragraphs IE1 and IE4-IE5 and their related heading is amended (new text is underlined and deleted text is struck through) as follows:

IE1 The terms of the arrangement require an operator to construct a road – completing construction within two years – and maintain and operate the road to a specified standard for eight years (i.e. years 3–10). The terms of the arrangement also require the operator to resurface the road at the end of year 8 ~~—the resurfacing activity is revenue generating~~. At the end of year 10, the arrangement will end. Assume that the operator identifies three performance obligations for construction services, operation services and road resurfacing. The operator estimates that the costs it will incur to fulfil its obligations will be:

## **Contract revenue Revenue**

- IE4 The operator recognises ~~contract revenue and costs~~ in accordance with ~~AASB 111 Construction Contracts and AASB 118 Revenue~~ AASB 15 Revenue from Contracts with Customers. ~~The costs of each activity—construction, operation and resurfacing—are recognised as expenses by reference to the stage of completion of that activity. Contract revenue—the fair value of Revenue—the amount due of consideration to which the operator expects to be entitled from the grantor for the activity undertaken services provided—is recognised at the same time when (or as) the performance obligations are satisfied.~~ Under the terms of the arrangement the operator is obliged to resurface the road at the end of year 8. In year 8 the operator will be reimbursed by the grantor for resurfacing the road. ~~The obligation to resurface the road is measured at zero in the statement of financial position and the revenue and expense are not recognised in profit or loss until the resurfacing work is performed.~~
- IE5 The total expected consideration (CU200 in each of years 3–810) ~~reflects the fair values for each of the services, which are~~ is allocated to the performance obligations based on the relative stand-alone selling prices of the construction services, operation services and road resurfacing, taking into account the significant financing component, as follows:

- 53 In the Illustrative Examples accompanying Interpretation 12, Table 1.2 and its related heading are replaced to read as follows:

**Table 1.2 Transaction price allocated to each performance obligation**

	Transaction price allocation (including effect of the significant financing component)
	CU
Construction services (over two years) <sup>(a)</sup>	1,050
Operation services (over 8 years) <sup>(b)</sup>	96
Road resurfacing services (in year 8) <sup>(c)</sup>	110
<b>Total</b>	<b>1,256</b>
<b>Implied interest rate<sup>(d)</sup></b>	<b>6.18% per year</b>

- (a) The operator estimates the relative stand-alone selling price by reference to the forecast cost plus 5 per cent.  
 (b) The operator estimates the relative stand-alone selling price by reference to the forecast cost plus 20 per cent.  
 (c) The operator estimates the relative stand-alone selling price by reference to the forecast cost plus 10 per cent.  
 (d) The implied interest rate is assumed to be the rate that would be reflected in a financing transaction between the operator and the grantor.

- 54 In the Illustrative Examples accompanying Interpretation 12, Table 1.3 and its related heading are amended (new text is underlined and deleted text is struck through) as follows:

**Table 1.3 Measurement of contract asset/receivable**

	CU
Amount due for construction in year 1	525
<b>Receivable <u>Contract asset</u> at end of year 1<sup>(a)</sup></b>	<b>525</b>
Effective interest in year 2 on <del>receivable</del> <u>contract asset</u> at the end of year 1 (6.18% × CU525)	32
Amount due for construction in year 2	525
<b>Receivable at end of year 2</b>	<b>1,082</b>
Effective interest in year 3 on receivable at the end of year 2 (6.18% × CU1,082)	67
Amount due for operation in year 3 (CU10 × (1 + 20%))	12
Cash receipts in year 3	(200)
<b>Receivable at end of year 3</b>	<b>961</b>

(\*) No effective interest arises in year 1 because the cash flows are assumed to take place at the end of the year.

- 55 In the Illustrative Examples accompanying Interpretation 12, paragraphs IE6 is amended (deleted text is struck through) as follows:

IE6 In year 1, for example, construction costs of CU500, construction revenue of CU525 (~~cost plus 5 per cent~~), and hence construction profit of CU25 are recognised in profit or loss.

- 56 In the Illustrative Examples accompanying Interpretation 12, paragraph IE7 is amended to read as follows:

IE7 During the first two years, the entity recognises a contract asset and accounts for the significant financing component in the arrangement in accordance with AASB 15. Once the construction is complete, the amounts due from the grantor are accounted for in accordance with AASB 9 *Financial Instruments* as receivables.

57 In the Illustrative Examples accompanying Interpretation 12, paragraphs IE11, IE14–IE15, IE17, IE23–IE24 and IE27, and Tables 2.1, 2.2, 3.1 and 3.2 are amended (new text is underlined and deleted text is struck through) as follows:

IE11 The terms of a service arrangement require an operator to construct a road – completing construction within two years – and maintain and operate the road to a specified standard for eight years (i.e. years 3–10). The terms of the arrangement also require the operator to resurface the road when the original surface has deteriorated below a specified condition. The operator estimates that it will have to undertake the resurfacing at the end of year 8. At the end of year 10, the service arrangement will end. Assume that the operator identifies a single performance obligation for construction services. The operator estimates that the costs it will incur to fulfil its obligations will be:

**Table 2.1 Contract costs**

	Year	CU <sup>(*)</sup>
Construction services	1	500
	2	500
<del>Operation services</del> <u>Operating the road</u> (per year)	3–10	10
Road resurfacing	8	100

(\*) in this example, monetary amounts are denominated in 'currency units (CU)'.

IE14 The operator provides construction services to the grantor in exchange for an intangible asset, that is a right to collect tolls from road users in years 3–10. In accordance with AASB 138 *Intangible Assets*, the operator ~~recognises the intangible asset at cost, that is the fair value of consideration transferred to acquire the asset, which is the fair value of the consideration received or receivable for AASB 15, the operator measures this non-cash consideration at fair value. In this case, the operator determines the fair value indirectly by reference to the stand-alone selling price of the construction services delivered.~~

IE15 During the construction phase of the arrangement the operator's contract asset (representing its accumulating right to be paid for providing construction services) is ~~classified~~ presented as an intangible asset (licence to charge users of the infrastructure). The operator ~~measures~~ estimates the fair value of its consideration received stand-alone selling price of the construction services to be equal to the forecast construction costs plus 5 per cent margin, which the operator concludes is consistent with the rate that a market participant would require as compensation for providing the construction services and for assuming the risk associated with the construction costs. It is also assumed that, in accordance with AASB 123 *Borrowing Costs*, the operator capitalises the borrowing costs, estimated at 6.7 per cent, during the construction phase of the arrangement:

**Table 2.2 Initial measurement of intangible asset**

	CU
Construction services in year 1 (CU500 × (1 + 5%))	525
Capitalisation of borrowing costs (table 2.4)	34
Construction services in year 2 (CU500 × (1 + 5%))	525
<b>Intangible asset at end of year 2</b>	<b>1,084</b>

IE17 The operator ~~recognises the revenue and costs~~ accounts for the construction services in accordance with AASB 111 *Construction Contracts*, that is by reference to the stage of completion of the construction AASB 15. It measures ~~contract~~ revenue at the fair value of the non-cash consideration received or receivable. Thus in each of years 1 and 2 it recognises in its profit or loss construction costs of CU500, construction revenue of CU525 ~~(cost plus 5 per cent)~~ and, hence, construction profit of CU25.

IE23 The terms of a service arrangement require an operator to construct a road – completing construction within two years – and to operate the road and maintain it to a specified standard for eight years (i.e. years 3–10). The terms of the arrangement also require the operator to resurface the road when the original surface has deteriorated below a specified condition. The operator estimates that it will have to undertake the resurfacing at the end of year 8. At the end of year 10, the arrangement will end. Assume that the operator identifies a single performance obligation for construction services. The operator estimates that the costs it will incur to fulfil its obligations will be:

**Table 3.1 Contract costs**

	Year	CU <sup>(*)</sup>
Construction services	1	500
	2	500
Operation services <u>Operating the road</u> (per year)	3–10	10
Road resurfacing	8	100

(\*) in this example, monetary amounts are denominated in 'currency units (CU)'.

IE24 The operator estimates the consideration in respect of construction services to be CU1,050 by reference to the stand-alone selling price of those services (which it estimates at forecast cost plus 5 per cent).

IE27 The contractual right to receive cash from the grantor for the services and the right to charge users for the public services should be regarded as two separate assets under Australian Accounting Standards. Therefore in this arrangement it is necessary to divide the operator's ~~consideration~~ contract asset during the construction phase into two components – a financial asset component based on the guaranteed amount and an intangible asset for the remainder. When the construction services are completed, the two components of the contract asset would be classified and measured as a financial asset and an intangible asset accordingly.

**Table 3.2 Dividing the operator's consideration**

Year	Total	Financial asset	Intangible asset
Construction services in year 1 (CU500 × (1 + 5%))	525	350	175
Construction services in year 2 (CU500 × (1 + 5%))	525	350	175
Total construction services	1,050	700	350
	<i>100%</i>	<i>67%<sup>(*)</sup></i>	<i>33%</i>
Finance income, at specified rate of 6.18% on receivable (see table 3.3)	22	22	–
Borrowing costs capitalised (interest paid in years 1 and 2 × 33%) (see table 3.7)	11	–	11
Total fair value of the operator's consideration	1,083	722	361

(\*) Amount guaranteed by the grantor as a proportion of the construction services.

58 In the Illustrative Examples accompanying Interpretation 12, paragraph IE28 has been amended to read as follows:

IE28 During the first two years, the entity recognises a contract asset and accounts for the significant financing component in the arrangement in accordance with AASB 15. Once the construction is complete, the amount due from, or at the direction of, the grantor in exchange for the construction services is accounted for in accordance with AASB 9 as a receivable.

59 In the Illustrative Examples accompanying Interpretation 12, below paragraph IE29, Table 3.3 and its related heading are amended (new text is underlined and deleted text is struck through) as follows:

**Table 3.3 Measurement of contract asset/receivable**

	CU
Construction services in year 1 allocated to the <del>financial</del> <u>contract asset</u>	350
<b>Receivable <u>Contract asset</u> at end of year 1</b>	350
Construction services in year 2 allocated to the <del>financial</del> <u>contract asset</u>	350
Interest in year 2 on <del>receivable</del> <u>contract asset</u> at end of year 1 (6.18% × CU350)	22
<b>Receivable at end of year 2</b>	722

	CU
Interest in year 3 on receivable at end of year 2 ( $6.18\% \times \text{CU}722$ )	45
Cash receipts in year 3 (see table 3.5)	(117)
<b>Receivable at end of year 3</b>	<b>650</b>

- 60 In the Illustrative Examples accompanying Interpretation 12, paragraph IE31 and Table 3.4 are amended (new text is underlined and deleted text is struck through) as follows:

IE31 During the construction phase of the arrangement the portion of the operator's contract asset that ~~(representing represents~~ its accumulating right to be paid amounts in excess of the guaranteed amount ~~for~~ providing construction services) is classified presented as a right to receive a licence to charge users of the infrastructure. The operator measures estimates the fair value of its consideration received or receivable stand-alone selling price of the construction services as equal to the forecast construction costs plus 5 per cent, which the operator concludes is consistent with the rate that a market participant would require as compensation for providing the construction services and for assuming the risk associated with the construction costs. It is also assumed that, in accordance with AASB 123 *Borrowing Costs*, the operator capitalises the borrowing costs, estimated at 6.7 per cent, during the construction phase:

**Table 3.4 Initial measurement of intangible asset**

	CU
Construction services in year 1 ( $\text{CU}500 \times (1 + 5\%) \times 33\%$ )	175
Borrowing costs (interest paid in years 1 and 2 $\times 33\%$ ) (see table 3.7)	11
Construction services in year 2 ( $\text{CU}500 \times (1 + 5\%) \times 33\%$ )	175
<b>Intangible asset at the end of year 2</b>	<b>361</b>

- 61 In the Illustrative Examples accompanying Interpretation 12, paragraph IE33 and its related heading are amended (new text is underlined and deleted text is struck through) as follows:

~~Contract revenue~~ Revenue and costs

IE33 The operator provides construction services to the grantor in exchange for a financial asset and an intangible asset. Under both the financial asset model and intangible asset model, the operator recognises contract revenue and costs ~~accounts for the construction services in accordance with AASB 111~~ Construction Contracts, ~~that is by reference to the stage of completion of the construction. It measures contract revenue at the fair value of the consideration receivable~~ AASB 15. Thus in each of years 1 and 2 it recognises in profit or loss construction costs of CU500 and construction revenue of CU525 ~~(cost plus 5 per cent)~~.

## Amendments to Interpretation 127

- 62 Paragraph 8 is amended (new text is underlined and deleted text is struck through) as follows:

**8** ~~The criteria requirements in paragraph 20 of AASB 118 Revenue~~ AASB 15 shall be applied to the facts and circumstances of each arrangement in determining when to recognise a fee as income that an entity Entity might receive. Factors such as whether there is continuing involvement in the form of significant future performance obligations necessary to earn the fee, whether there are retained risks, the terms of any guarantee arrangements, and the risk of repayment of the fee, shall be considered. Indicators that individually demonstrate that recognition of the entire fee as income when received, if received at the beginning of the arrangement, is inappropriate include:

(a) ...

- 63 The following footnote is added following the reference to 'AASB 111 *Construction Contracts*' in paragraph 12:

AASB 15 *Revenue from Contracts with Customers*, issued in December 2014, replaced AASB 111 *Construction Contracts*. AASB 15 requires contracts to be combined if they meet specified criteria.

- 64 The following footnote is added following the first reference to 'AASB 118' in paragraph 16:

AASB 15 *Revenue from Contracts with Customers*, issued in December 2014, replaced AASB 118 *Revenue*. AASB 15 eliminated the guidance on recognising revenue on the execution of a significant act.



- 65 Below the heading 'References', the references to AASB 111 *Construction Contracts* and AASB 118 *Revenue* are deleted and a reference to AASB 15 *Revenue from Contracts with Customers* is added.

## Amendments to Interpretation 132

- 66 Paragraph 6 is amended (new text is underlined and deleted text is struck through) as follows:

6 AASB 138 does not apply to intangible assets held by an entity for sale in the ordinary course of business (see AASB 102 *Inventories* and ~~AASB 111 *Construction Contracts*~~ AASB 15 *Revenue from Contracts with Customers*) or leases that fall within the scope of AASB 117 *Leases*. Accordingly, this Interpretation does not apply to expenditure on the development or operation of a web site (or web site software) for sale to another entity. When a web site is leased under an operating lease, the lessor applies this Interpretation. When a web site is leased under a finance lease, the lessee applies this Interpretation after initial recognition of the leased asset.

- 67 Below the heading 'References', the reference to AASB 111 *Construction Contracts* is deleted and a reference to AASB 15 *Revenue from Contracts with Customers* is added.

## Amendments to Interpretation 1031

- 68 Paragraphs 3 and 20 are amended (new text is underlined and deleted text is struck through) as follows:

3 While authoritative requirements in Australia do not deal specifically with accounting for the GST, Accounting Standard ~~AASB 118 *Revenue*~~ AASB 15 *Revenue from Contracts with Customers* defines ~~revenue~~, specifies requirements for recognising revenue recognition criteria from contracts with customers and states that amounts collected on behalf of third parties such as ~~goods and services~~ some sales taxes are excluded from the transaction price and, therefore, revenue. Furthermore, AASB 102 *Inventories* provides that the cost of purchase of inventories does not include taxes that are subsequently recoverable from taxation authorities.

20 ~~AASB 118, paragraph 7, defines revenues as 'inflows of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants.'~~ The GST component of the transaction price consideration promised by a customer does not constitute revenue of the vendor. This is because the transaction gives rise to a present obligation to remit the amounts of the tax collected to the taxation authority. This is reflected in ~~AASB 118~~ AASB 15, paragraph ~~47~~, which states that amounts collected on behalf of third parties such as (for example, some sales taxes), goods and services taxes and value added taxes are not economic benefits which flow to the entity and do not result in increases in equity excluded from the transaction price and, therefore, revenue.

- 69 Below the heading 'References', the reference to AASB 118 *Revenue* is deleted and a reference to AASB 15 *Revenue from Contracts with Customers* is added.

## Amendments to Interpretation 1038

- 70 Below the heading 'References', the reference to AASB 118 *Revenue* is deleted and a reference to AASB 15 *Revenue from Contracts with Customers* is added.

- 71 Paragraph 36 is amended (new text is underlined and deleted text is struck through) as follows:

36 The prohibitions of redesignations in paragraph 12 do not preclude the redesignation of liabilities as contributed equity when converted to equity because:

- (a) recognition of the liabilities did not involve the recognition of contributions by owners or income; and
- (b) consistent with ~~AASB 118~~ AASB 15 and AASB 1004, such redesignations are not recognised as giving rise to income.

## Amendments to Interpretation 1052

- 72 Paragraph 45 is amended (new text is underlined and deleted text is struck through) as follows:

45 When the tax consolidation adjustments required by this Interpretation result in the recognition of a distribution to an entity, that entity accounts for the distribution in accordance with the requirements of ~~AASB 118 *Revenue*~~ and AASB 127 ~~*Consolidated and Separate Financial Statements*~~ and AASB 139 *Financial Instruments: Recognition and Measurement* concerning dividends and other distributions. Distributions arising from tax consolidation adjustments may take the form of either a return of capital or a return on capital. The particular circumstances of a distribution need to be considered in determining the appropriate accounting.

- 73 Below the heading 'References', the reference to AASB 118 *Revenue* is deleted and a reference to AASB 139 *Financial Instruments: Recognition and Measurement* is added.