

**Accounting Standard**

**AASB 2008-C**  
July 2008

**Amendments to Australian  
Accounting Standards –  
Cost of an Investment in a  
Subsidiary, Jointly  
Controlled Entity or  
Associate**

**[AASB 1, AASB 118, AASB 121,  
AASB 127 & AASB 136]**

Draft AASB 2008-C *Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* will be considered by the Board at its meeting on 25-26 June 2008. Please note that the Draft AASB does not reflect settled positions by the AASB and may change or be modified by the AASB. This draft is not an authoritative pronouncement of the AASB. Decisions become final only after completion of the formal processes required to issue an Accounting Standard. No responsibility is taken for the results of actions or omission to act taken on the basis of any information in this draft or for any errors or omissions.



**Australian Government**

**Australian Accounting  
Standards Board**

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Australian Accounting Standard AASB 2008-C *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* is set out in paragraphs 1 – 20. All the paragraphs have equal authority.

## **PREFACE**

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

This Standard makes amendments to the following Australian Accounting Standards:

- (a) *AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards;*
- (b) *AASB 118 Revenue;*
- (c) *AASB 121 The Effects of Changes in Foreign Exchange Rates;*
- (d) *AASB 127 Consolidated and Separate Financial Statements;*
- (e) *AASB 136 Impairment of Assets.*

These amendments arise from proposals included in Exposure Draft ED 160 Exposure Draft of Proposed Amendments to AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* and AASB 127 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*.

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

#### **Application Date**

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

#### **Main Requirements**

The issuance of 2008-C necessitates consequential amendments to AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136 in relation to the cost of an investment in a subsidiary, jointly controlled entity or associate.

## **ACCOUNTING STANDARD AASB 2008-C**

The Australian Accounting Standards Board makes Accounting Standard AASB 2008-C *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* under section 334 of the *Corporations Act 2001*.

Dated X July 2008

D.G. Boymal  
Chair – AASB

## **ACCOUNTING STANDARD AASB 2008-C**

### ***AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS – COST OF AN INVESTMENT IN A SUBSIDIARY, JOINTLY CONTROLLED ENTITY OR ASSOCIATE***

#### **Objective**

- 1 The objective of this Standard is to make amendments to:
- (a) AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*;
  - (b) AASB 118 *Revenue*;
  - (c) AASB 121 *The Effects of Changes in Foreign Exchange Rates*;
  - (d) AASB 127 *Consolidated and Separate Financial Statements*;
  - (e) AASB 136 *Impairment of Assets*;
- in relation to the cost of an investment in a subsidiary, jointly controlled entity or associate.

#### **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 January 2009.**
- 4 This Standard may be applied to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2009. When an entity applies this Standard to such an annual reporting period, it shall disclose that fact.**

## **Amendments to AASB 1**

- 5 Paragraph 13(ea) is added:**
- 13 An entity may elect to use one or more of the following exemptions:
- (a) ...
  - (ea) investments in subsidiaries, jointly controlled entities and associates (paragraphs 23A and 23B);
  - (f) ...
- 6 The heading “Investments in subsidiaries, jointly controlled entities and associates” is added after paragraph 23.**
- 7 Paragraphs 23A and 23B are added:**
- 23A** When an entity prepares separate financial statements, AASB 127 *Consolidated and Separate Financial Statements* requires it to account for its investments in subsidiaries, jointly controlled entities and associates either:
- (a) at cost or
  - (b) in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*.
- 23B** If a first-time adopter measures such an investment at cost in accordance with paragraph 23A(a), it shall measure that

investment at one of the following amounts in its separate opening IFRS statement of financial position:

- (a) cost determined in accordance with AASB 127 or
- (b) deemed cost. The deemed cost of such an investment shall be its:
  - (i) fair value (determined in accordance with AASB 139) at the entity's date of transition to IFRSs in its separate financial statements or
  - (ii) previous GAAP carrying amount at that date.

A first-time adopter may choose either (i) or (ii) above to measure its investment in each subsidiary, jointly controlled entity or associate that it elects to measure using a deemed cost.

- 8 Paragraphs 25A and 34C are amended to read as follows:

25A AASB 139 *Financial Instruments: Recognition and Measurement* permits...

34C A first-time adopter shall apply the following requirements of AASB 127 (as amended in 2008)...

- 9 A heading is added after paragraph 44 as follows:

Use of deemed cost for investments in subsidiaries, jointly controlled entities and associates

- 10 Paragraph 44A is added:

44A Similarly, if an entity uses a deemed cost in its opening IFRS statement of financial position for an investment in a subsidiary, jointly controlled entity or associate in its separate financial statements (see paragraph 23B), the entity's first Australian-equivalents-to-IFRSs separate financial statements shall disclose:

- (a) the aggregate deemed cost of those investments for which deemed cost is their previous GAAP carrying amount;
- (b) the aggregate deemed cost of those investments for which deemed cost is fair value; and

- (c) the aggregate adjustment to the carrying amounts reported under previous GAAP.

11 Paragraph 47k is added:

47K *AASB 2008-C Amendments to Australian Accounting Standards: Cost of Investment in a Subsidiary, Jointly Controlled Entity or Associate* ), issued in July 2008, added paragraphs 13(ea), 23A, 23B and 44A. An entity shall apply those paragraphs for annual reporting periods beginning on or after 1 January 2009. Earlier application is permitted. If an entity applies the paragraphs for an earlier period, it shall disclose that fact.

### **Amendments to AASB 118**

12 Paragraph 32 is amended to read as follows.

32 When unpaid interest has accrued before the acquisition of an interest-bearing investment, the subsequent receipt of interest is allocated between pre-acquisition and post-acquisition periods; only the post-acquisition portion is recognised as revenue.

13 Paragraph 38 is added:

38 *AASB 2008-C Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*, issued in July 2008, amended paragraph 32. An entity shall apply that amendment prospectively for annual reporting periods beginning on or after 1 January 2009. Earlier application is permitted. If an entity applies the related amendments in paragraphs 4 and 38A of AASB 127 for an earlier period, it shall apply the amendment in paragraph 32 at the same time.

### **Amendments to AASB 121**

14 Paragraph 49 is amended to read as follows:

49 An entity may dispose or partially dispose of its interest in a foreign operation through sale, liquidation, repayment of share capital or abandonment of all, or part of, that entity. A write-down of the carrying amount of a foreign operation, either because of its own losses or because of an impairment recognised by the investor, does not constitute a partial disposal. Accordingly, no part of the foreign exchange gain or loss

recognised in other comprehensive income is reclassified to profit or loss at the time of a write-down.

## **Amendments to AASB 127**

- 15 The reference to the cost method is removed and a note added as follows:

...

**4 [Deleted by the IASB]**

- 16 Paragraphs 38A, 38B and 38C are added:

**38A An entity shall recognise a dividend from a subsidiary, jointly controlled entity or associate in profit or loss in its separate financial statements when its right to receive the dividend is established.**

38B When a parent reorganises the structure of its group by establishing a new entity as its parent in a manner that satisfies the following criteria:

- (a) the new parent obtains control of the original parent by issuing equity instruments in exchange for existing equity instruments of the original parent;
- (b) the assets and liabilities of the new group and the original group are the same immediately before and after the reorganisation; and
- (c) the owners of the original parent before the reorganisation have the same absolute and relative interests in the net assets of the original group and the new group immediately before and after the reorganisation

and the new parent accounts for its investment in the original parent in accordance with paragraph 38(a) in its separate financial statements, the new parent shall measure cost at the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the date of the reorganisation.

38C Similarly, an entity that is not a parent might establish a new entity as its parent in a manner that satisfies the criteria in paragraph 38B. The requirements in paragraph 38B apply

equally to such reorganisations. In such cases, references to 'original parent' and 'original group' are to the 'original entity'.

## Effective date and transition

17 Paragraphs 45B and 45C are added:

45B AASB 2008-C *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*, issued in July 2008, deleted the definition of the cost method from paragraph 4 and added paragraph 38A. An entity shall apply those amendments prospectively for annual reporting periods beginning on or after 1 January 2009. Earlier application is permitted. If an entity applies the changes for an earlier period, it shall disclose that fact and apply the related amendments to AASB 118, AASB 121 and AASB 136 at the same time.

45C AASB 2008-C *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*, issued in July 2008, added paragraphs 38B and 38C. An entity shall apply those paragraphs prospectively to reorganisations occurring in annual reporting periods beginning on or after 1 January 2009. Earlier application is permitted. In addition, an entity may elect to apply paragraphs 38B and 38C retrospectively to past reorganisations within the scope of those paragraphs. However, if an entity restates any reorganisation to comply with paragraph 38B or 38C, it shall restate all later reorganisations within the scope of those paragraphs. If an entity applies paragraph 38B or 38C for an earlier period, it shall disclose that fact.

## Amendments to AASB 136

18 After paragraph 12(g) a heading is added as follows:

Dividend from a subsidiary, jointly controlled entity or associate

19 Paragraph 12(h) is added:

- (h) **for an investment in a subsidiary, jointly controlled entity or associate, the investor recognises a dividend from the investment and evidence is available that:**
  - (i) **the carrying amount of the investment in the separate financial statements exceeds the carrying amounts in**

**the consolidated financial statements of the investee's net assets, including associated goodwill; or**

- (ii) the dividend exceeds the total comprehensive income of the subsidiary, jointly controlled entity or associate in the period the dividend is declared.**

20 Paragraph 140D is added:

140D AASB 2008-C *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*, issued in July 2008, added paragraph 12(h). An entity shall apply that amendment prospectively for annual reporting periods beginning on or after 1 January 2009. Earlier application is permitted. If an entity applies the related amendments in paragraphs 4 and 38A of AASB 127 for an earlier period, it shall apply the amendment in paragraph 12(h) at the same time.