AASB 9-10 June 2010
Agenda paper 13.3

AASB Standard

AASB 2010-Y
June 2010

Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project

[AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]

Australian Government

Australian Accounting Standards Board

Obtaining a Copy of this Accounting Standard

This Standard is available on the AASB website: www.aasb.gov.au. Alternatively, printed copies of this Standard are available for purchase by contacting:

The Customer Service Officer
Australian Accounting Standards Board
Level 7
600 Bourke Street
Melbourne Victoria
AUSTRALIA

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

Phone: (03) 9617 7637
Fax: (03) 9617 7608
E-mail: publications@aasb.gov.au
Website: www.aasb.gov.au

Other Enquiries

Phone: (03) 9617 7600
Fax: (03) 9617 7608
E-mail: standard@aasb.gov.au

ISSN 1036-4803

CONTENTS

Australian Accounting Standard AASB 2010-Y *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* is set out in paragraphs 1 – 16. All the paragraphs have equal authority.

PREFACE

Standards Amended by AASB 2010-Y

This Standard makes amendments to the following Australian Accounting Standards and Interpretation:

1. AASB 1 *First-time Adoption of Australian Accounting Standards*

2. AASB 7 *Financial Instruments: Disclosures*

3. AASB 101 *Presentation of Financial Statements*

4. AASB 134 *Interim Financial Reporting*

5. Interpretation 13 *Customer Loyalty Programmes*.

These amendments are a consequence of the annual improvements project.

These amendments result from proposals that were included in Exposure Draft ED 188 *Improvements to IFRSs* published in September 2009 and in ED 185 *Rate-regulated Activities* published in July 2009, and follow the issuance of the IASB Standard *Improvements to IFRSs* in May 2010.

The annual improvements project provides a vehicle for making non-urgent but necessary amendments to Standards.

Main Features of this Standard

Application Date

This Standard is applicable to annual reporting periods beginning on or after 1 January 2011, with early adoption permitted for annual reporting periods beginning on or after 1 January 2005 but before 1 January 2011.

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

Main Requirements

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

Australian Accounting Standard or Interpretation	**Subject of amendment**
AASB 1 *First-time Adoption of Australian Accounting Standards*	Accounting policy changes in the year of adoption
	Revaluation basis as deemed cost
	Use of deemed cost for operations subject to rate regulation
AASB 7 *Financial Instruments: Disclosures*	Clarification of disclosures
AASB 101 *Presentation of Financial Statements*	Clarification of statement of changes in equity
AASB 134 *Interim Financial Reporting*	Significant events and transactions
Interpretation 13 *Customer Loyalty Programmes*	Fair value of award credits

ACCOUNTING STANDARD AASB 2010-Y

The Australian Accounting Standards Board makes Accounting Standard AASB 2010-Y *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* under section 334 of the *Corporations Act 2001*.

Kevin M. Stevenson
Dated xx June 2010 Chair – AASB

ACCOUNTING STANDARD AASB 2010-Y

FURTHER AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS ARISING FROM THE ANNUAL IMPROVEMENTS PROJECT

Objective

1 The objective of this Standard is to make amendments to:

(a) AASB 1 *First-time Adoption of Australian Accounting Standards*;

(b) AASB 7 *Financial Instruments: Disclosures*;

(c) AASB 101 *Presentation of Financial Statements*;

(d) AASB 134 *Interim Financial Reporting*; and

(e) Interpretation 13 *Customer Loyalty Programmes*;

as a consequence of the annual improvements project.

Application

2 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.**

3 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.**

4 Subject to paragraphs 2 and 3, 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.**

5 This Standard applies to annual reporting periods beginning on or after 1 January 2011.

6 This Standard may be applied to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2011.

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

Amendments to AASB 1

8 Paragraphs 27 and 32 are amended (new text is underlined and deleted text is struck through). Paragraph 27A, a heading and paragraphs 31B and 39E are added.

27 AASB 108 does not ~~deal with~~ apply to the changes in accounting policies ~~that occur when~~ an entity makes when it ~~first~~ adopts Australian Accounting Standards or to changes in those policies until after it presents its first Australian-Accounting-Standards financial statements. Therefore, AASB 108's requirements ~~for disclosures~~ about changes in accounting policies do not apply in an entity's first Australian-Accounting-Standards financial statements.

27A If during the period covered by its first Australian-Accounting-Standards financial statements an entity changes its accounting policies or its use of the exemptions contained in this Standard, it shall explain the changes between its first Australian-Accounting-Standards interim financial report and its first Australian-Accounting-Standards financial statements, in accordance with paragraph 23, and it shall update the reconciliations required by paragraph 24(a) and (b).

Use of deemed cost for operations subject to rate regulation

31B If an entity uses the exemption in paragraph D8B for operations subject to rate regulation, it shall disclose that fact and the basis on which carrying amounts were determined under previous GAAP.

32 To comply with paragraph 23, if an entity presents an interim financial report in accordance with AASB 134 for part of the period covered by its first Australian-Accounting-Standards financial statements, the entity shall satisfy the following requirements in addition to the requirements of AASB 134:

…

(c) If an entity changes its accounting policies or its use of the exemptions contained in this Standard, it shall explain the changes in each such interim financial report in accordance with paragraph 23 and update the reconciliations required by (a) and (b).

39E AASB 2010-Y *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* issued in June 2010 added paragraphs 27A, 31B and D8B and amended paragraphs 27, 32, D1(c) and D8. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2011. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact. Entities that adopted Australian Accounting Standards in periods before the effective date of AASB 1 or applied AASB 1 in a previous period are permitted to apply the amendment to paragraph D8 retrospectively in the first annual reporting period after the amendment is effective. An entity applying paragraph D8 retrospectively shall disclose that fact.

9 Paragraphs D1(c) and D8 are amended (new text is underlined and deleted text is struck through) and paragraph D8B is added.

D1 An entity may elect to use one or more of the following exemptions:

…

(c) deemed cost (paragraphs D5-D8~~A~~ B);

…

D8 A first-time adopter may have established a deemed cost in accordance with previous GAAP for some or all of its assets and liabilities by measuring them at their fair value at one particular date because of an event such as a privatisation or initial public offering. ~~It~~

(a) If the measurement date is *at or before* the date of transition to Australian Accounting Standards, the entity may use such event-driven fair value measurements as deemed cost for Australian Accounting Standards at the date of that measurement.

(b) If the measurement date is *after* the date of transition to Australian Accounting Standards, but during the period covered by the first Australian-Accounting-Standards financial statements, the event-driven fair value measurements may be used as deemed cost when the event occurs. An entity shall recognise the resulting adjustments directly in retained earnings (or if appropriate, another category of equity) at the measurement date. At the date of transition to Australian Accounting Standards, the entity shall either establish the deemed cost by applying the criteria in paragraphs D5-D7 or measure assets and liabilities in accordance with the other requirements in this Standard.

D8B Some entities hold items of property, plant and equipment or intangible assets that are used, or were previously used, in operations subject to rate regulation. The carrying amount of such items might include amounts that were determined under previous GAAP but do not qualify for capitalisation in accordance with Australian Accounting Standards. If this is the case, a first-time adopter may elect to use the previous GAAP carrying amount of such an item at the date of transition to Australian Accounting Standards as deemed cost. If an entity applies this exemption to an item, it need not apply it to all items. At the date of transition to Australian Accounting Standards, an entity shall test for impairment in accordance with AASB 136 each item for which this exemption is used. For the purposes of this paragraph, operations are subject to rate regulation if they provide goods or services to customers at prices (ie rates) established by an authorised body empowered to establish rates that bind the customers and that are designed to recover the specific costs the entity incurs in providing the regulated goods or services and to earn a specified return. The specified return could be a minimum or range and need not be a fixed or guaranteed return.

Amendments to AASB 7

10 Paragraph 32A is added. Paragraphs 34 and 36-38 are amended (new text is underlined and deleted text is struck through). Paragraph 44L is added.

32A Providing qualitative disclosures in the context of quantitative disclosures enables users to link related disclosures and hence form an overall picture of the nature and extent of risks arising from financial instruments. The interaction between qualitative and quantitative disclosures contributes to disclosure of information in a way that better enables users to evaluate an entity's exposure to risks.

Quantitative disclosures

34 For each type of risk arising from financial instruments, an entity shall disclose:

(a) summary quantitative data about its exposure to that risk at the end of the reporting period. This disclosure shall be based on the information provided internally to key management personnel of the entity (as defined in AASB 124 *Related Party Disclosures*), for example the entity's board of directors or chief executive officer;

(b) the disclosures required by paragraphs 36-42, to the extent not provided in accordance with (a)~~, unless the risk is not~~

~~material (see paragraphs 29–31 of AASB 101 for a discussion of materiality)~~; and

(c) concentrations of risk if not apparent from the disclosures made in accordance with (a) and (b).

Credit risk

36 An entity shall disclose by class of financial instrument:

(a) the amount that best represents its maximum exposure to credit risk at the end of the reporting period without taking account of any collateral held or other credit enhancements (e.g. netting agreements that do not qualify for offset in accordance with AASB 132); this disclosure is not required for financial instruments whose carrying amount best represents the maximum exposure to credit risk.

(b) ~~in respect of the amount disclosed in (a),~~ a description of collateral held as security and of other credit enhancements, and their financial effect (e.g. a quantification of the extent to which collateral and other credit enhancements mitigate credit risk) in respect of the amount that best represents the maximum exposure to credit risk (whether disclosed in accordance with (a) or represented by the carrying amount of a financial instrument).~~;~~

(c) information about the credit quality of financial assets that are neither *past due* nor impaired.~~; and~~

(d) [deleted by the IASB] ~~the carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated.~~

Financial assets that are either past due or impaired

37 An entity shall disclose by class of financial asset:

(a) an analysis of the age of financial assets that are past due as at the end of the reporting period but not impaired; and

(b) an analysis of financial assets that are individually determined to be impaired as at the end of the reporting period, including the factors the entity considered in determining that they are impaired.~~; and~~

(c) [deleted by the IASB] ~~for the amounts disclosed in (a) and (b), a description of collateral held by the entity as~~

~~security and other credit enhancements and, unless impracticable, an estimate of their fair value.~~

Collateral and other credit enhancements obtained

38 When an entity obtains financial or non-financial assets during the period by taking possession of collateral it holds as security or calling on other credit enhancements (e.g. guarantees), and such assets meet the recognition criteria in other Australian Accounting Standards, an entity shall disclose for such assets held at the reporting date:

(a) the nature and carrying amount of the assets ~~obtained~~; and

(b) when the assets are not readily convertible into cash, its policies for disposing of such assets or for using them in its operations.

44L AASB 2010-Y *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* issued in June 2010 added paragraph 32A and amended paragraphs 34 and 36-38. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2011. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact.

Amendments to AASB 101

11 Before paragraph 106 a heading is added. Paragraph 106 is amended (new text is underlined and deleted text is struck through). After paragraph 106 a heading and paragraph 106A are added. Paragraph 107 is amended (new text is underlined). Paragraph 139F is added.

Information to be presented in the statement of changes in equity

106 An entity shall present a statement of changes in equity as required by paragraph 10. The statement of changes in equity includes the following information ~~showing in the statement~~:

(a) total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests;

(b) for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with AASB 108; and

(c) [deleted by the IASB]

(d) **for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:**

(i) **profit or loss;**

(ii) **~~each item of~~ other comprehensive income; and**

(iii) **transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.**

Information to be presented in the statement of changes in equity or in the notes

106A For each component of equity an entity shall present, either in the statement of changes in equity or in the notes, an analysis of other comprehensive income by item (see paragraph 106(d)(ii)).

107 An entity shall present, either in the statement of changes in equity or in the notes, the amount of dividends recognised as distributions to owners during the period, and the related amount <u>of dividends</u> per share.

139F Paragraphs 106 and 107 were amended and paragraph 106A was added by AASB 2010-Y *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* issued in June 2010. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2011. Earlier application is permitted.

Amendments to AASB 134

12 A heading and paragraph 15 are amended (new text is underlined and deleted text is struck through). Paragraphs 15A-15C are added. Paragraphs 16-18 are deleted. A heading and paragraph 16A are added. Paragraph 49 is added. Paragraphs 15B and 16A were previously paragraphs 17 and 16, respectively, and have been marked up solely to show changes from the pre-existing text.

~~Selected Explanatory Notes~~ Significant Events and Transactions

15 ~~A user of an entity's interim financial report will also have access to the most recent annual financial report of that entity. It is unnecessary, therefore, for the notes in an interim financial report to provide relatively insignificant updates to the information that was already reported in the notes in the most recent annual report. At an interim date,~~ An entity shall include in its interim financial report an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period ~~is more useful~~. Information disclosed in relation to those events and transactions shall update the relevant information presented in the most recent annual financial report.

15A A user of an entity's interim financial report will have access to the most recent annual financial report of that entity. Therefore, it is unnecessary for the notes to an interim financial report to provide relatively insignificant updates to the information that was reported in the notes in the most recent annual financial report.

15B ~~17~~ ~~Examples of the kinds of disclosures that are required by paragraph 16 are set out below. Other Australian Accounting Standards provide guidance regarding disclosures for many of these items:~~ 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) the write-down of inventories to net realisable value and the reversal of such a write-down;

(b) recognition of a loss from the impairment of financial assets, property, plant and equipment, intangible assets, or other assets, and the reversal of such an impairment loss;

(c) the reversal of any provisions for the costs of restructuring;

(d) acquisitions and disposals of items of property, plant and equipment;

(e) commitments for the purchase of property, plant and equipment;

(f) litigation settlements;

(g) corrections of prior period errors;

(h) ~~[deleted by the IASB]~~ changes in the business or economic circumstances that affect the fair value of the entity's financial assets and financial liabilities, whether those assets or liabilities are recognised at fair value or amortised cost;

(i) any loan default or breach of a loan agreement that has not been remedied on or before the end of the reporting period; ~~and~~

(j) related party transactions~~.~~;

(k) transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments;

(l) changes in the classification of financial assets as a result of a change in the purpose or use of those assets; and

(m) changes in contingent liabilities or contingent assets.

[contains text from pre-existing paragraph 17 marked up for amendments]

15C Individual Australian Accounting Standards provide guidance regarding disclosure requirements for many of the items listed in paragraph 15B. When an event or transaction is significant to an understanding of the changes in an entity's financial position or performance since the last annual reporting period, its interim financial report should provide an explanation of and an update to the relevant information included in the financial statements of the last annual reporting period.

Other Disclosures

16A In addition to disclosing significant events and transactions in accordance with paragraphs 15-15C, ~~An~~ an entity shall include the following information, ~~as a minimum,~~ in the notes ~~in the~~ to its interim financial ~~report~~ statements, ~~if material and~~ if not disclosed elsewhere in the interim financial report. The information shall normally be reported on an annual reporting period-to-date basis. ~~However, the entity shall also disclose any events or transactions that are material to an understanding of the current interim period:~~

(a) a statement that the same accounting policies and methods of computation are followed in the interim financial ~~report~~ statements as compared with the most recent annual financial statements or, if those policies or methods have been changed, a description of the nature and effect of the change.~~;~~

(b) explanatory comments about the seasonality or cyclicality of interim operations.~~;~~

(c) the nature and amount of items affecting assets, liabilities, equity, net income ~~profit or loss~~ or cash flows that are unusual because of their nature, size or incidence.~~;~~

(d) the nature and amount of changes in estimates of amounts reported in prior interim periods of the current annual reporting period or changes in estimates of amounts reported in prior annual reporting periods~~, if those changes have a material effect in the current interim period~~.~~;~~

(e) ~~issuances~~ issues, repurchases and repayments of debt and equity securities.~~;~~

(f) dividends paid (aggregate or per share) separately for ordinary shares and other shares.~~;~~

(g) the following segment information (disclosure of segment information is required in an entity's interim financial report only if AASB 8 *Operating Segments* requires that entity to disclose segment information in its annual financial statements):

(i) revenues from external customers, if included in the measure of segment profit or loss reviewed by the chief operating decision maker or otherwise regularly provided to the chief operating decision maker.~~;~~

(ii) intersegment revenues, if included in the measure of segment profit or loss reviewed by the chief operating decision maker or otherwise regularly provided to the chief operating decision maker.~~;~~

(iii) a measure of segment profit or loss.~~;~~

(iv) **total assets for which there has been a material change from the amount disclosed in the last annual financial statements.~~;~~**

(v) **a description of differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.~~;~~**

(vi) **a reconciliation of the total of the reportable segments' measures of profit or loss to the entity's profit or loss before tax expense (tax income) and discontinued operations. However, if an entity allocates to reportable segments items such as tax expense (tax income), the entity may reconcile the total of the segments' measures of profit or loss to profit or loss after those items. Material reconciling items shall be separately identified and described in that reconciliation.~~;~~**

(h) **~~material~~ events ~~subsequent to the end of~~ after the interim period that have not been reflected in the financial statements for the interim period.~~;~~**

(i) **the effect of changes in the composition of the entity during the interim period, including business combinations, obtaining or losing control of subsidiaries and long-term investments, restructurings, and discontinued operations. In the case of business combinations, the entity shall disclose the information required by AASB 3 *Business Combinations*.~~; and~~**

~~**(j) changes in contingent liabilities or contingent assets since the end of the last annual reporting period.**~~

[contains text from pre-existing paragraph 16 marked up for amendments]

49 Paragraph 15 was amended, paragraphs 15A-15C and 16A were added and paragraphs 16, 17 and 18 were deleted by AASB 2010-Y *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* issued in June 2010. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2011. Earlier

application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact.

Amendments to Interpretation 13

13 The heading "Effective Date of IFRIC 13" before paragraph 10 is amended to "Effective Date".

14 Paragraph 10A is added.

10A Paragraph AG2 was amended by AASB 2010-Y *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* issued in June 2010. An entity shall apply that amendment for annual reporting periods beginning on or after 1 January 2011. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.

15 Paragraph AG2 is amended (new text is underlined and deleted text is struck through).

AG2 An entity may estimate the fair value of award credits by reference to the fair value of the awards for which they could be redeemed. The fair value of ~~these awards would be reduced to take~~ the award credits takes into account, as appropriate:

(a) the amount of the discounts or incentives ~~fair value of awards~~ that would otherwise be offered to customers who have not earned award credits from an initial sale; and

(b) the proportion of award credits that are not expected to be redeemed by customers.

If customers can choose from a range of different awards, the fair value of the award credits will reflect the fair values of the range of available awards, weighted in proportion to the frequency with which each award is expected to be selected.

16 Paragraph IE1 in the Illustrative Examples accompanying Interpretation 13 is amended (new text is underlined and deleted text is struck through).

IE1 A grocery retailer operates a customer loyalty programme. It grants programme members loyalty points when they spend a specified amount on groceries. Programme members can redeem the points for further groceries. The points have no expiry date. In one period, the entity grants

100 points. Management estimates the fair value of groceries for which each loyalty point can be redeemed as 1.25 currency units (CU1.25). This amount takes into account an estimate of the discount that management expects would otherwise be offered to customers who have not earned award credits from an initial sale. In addition, m~~M~~anagement expects only 80 of these points to be redeemed. Therefore, the fair value of each point is CU1, being the value of each loyalty point granted of CU1.25 reduced to take into account points not expected to be redeemed ((80 points/100 points) × CU1.25 = CU1). Accordingly, m~~M~~anagement ~~estimates the fair value of each loyalty point to be one currency unit (CU1), and~~ defers recognition of revenue of CU100.