

AASB Standard

AASB 2010-3

June 2010

Amendments to Australian Accounting Standards arising from the Annual Improvements Project

**[AASB 3, AASB 7, AASB 121,
AASB 128, AASB 131, AASB 132 &
AASB 139]**



Australian Government

**Australian Accounting
Standards Board**

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Australian Accounting Standard AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* is set out in paragraphs 1 – 13. All the paragraphs have equal authority.

PREFACE

Standards Amended by AASB 2010-3

This Standard makes amendments to the following Australian Accounting Standards:

1. AASB 3 *Business Combinations*
2. AASB 7 *Financial Instruments: Disclosures*
3. AASB 121 *The Effects of Changes in Foreign Exchange Rates*
4. AASB 128 *Investments in Associates*
5. AASB 131 *Interests in Joint Ventures*
6. AASB 132 *Financial Instruments: Presentation*
7. AASB 139 *Financial Instruments: Recognition and Measurement*.

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 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 July 2010. Early adoption is permitted for annual reporting periods beginning on or after 1 January 2005 but before 1 July 2010, except that the amendments to AASB 3 may be applied only to annual reporting periods beginning on or after 30 June 2007 but before 1 July 2010.

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

Main Requirements

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

Australian Accounting Standard	Subject of amendment
AASB 3 <i>Business Combinations</i>	Measurement of non-controlling interests
	Unreplaced and voluntarily replaced share-based payment awards
AASB 3 <i>Business Combinations</i> AASB 7 <i>Financial Instruments: Disclosures</i> AASB 132 <i>Financial Instruments: Presentation</i> AASB 139 <i>Financial Instruments: Recognition and Measurement</i>	Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised AASB 3 (2008)
AASB 121 <i>The Effects of Changes in Foreign Exchange Rates</i> AASB 128 <i>Investments in Associates</i> AASB 131 <i>Interests in Joint Ventures</i>	Transition requirements for amendments arising as a result of AASB 127 <i>Consolidated and Separate Financial Statements</i>

ACCOUNTING STANDARD AASB 2010-3

The Australian Accounting Standards Board makes Accounting Standard AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* under section 334 of the *Corporations Act 2001*.

Dated 23 June 2010

Kevin M. Stevenson
Chair – AASB

ACCOUNTING STANDARD AASB 2010-3

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 3 *Business Combinations*;
 - (b) AASB 7 *Financial Instruments: Disclosures*;
 - (c) AASB 121 *The Effects of Changes in Foreign Exchange Rates*;
 - (d) AASB 128 *Investments in Associates*;
 - (e) AASB 131 *Interests in Joint Ventures*;
 - (f) AASB 132 *Financial Instruments: Presentation*; and
 - (g) AASB 139 *Financial Instruments: Recognition and Measurement*;
- as a consequence of the annual improvements project.

Application

- 2 This Standard applies to:
 - (a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;
 - (b) general purpose financial statements of each other reporting entity; and
 - (c) financial statements that are, or are held out to be, general purpose financial statements.
- 3 This Standard applies to annual reporting periods beginning on or after 1 July 2010.
- 4 This Standard may be applied to annual reporting periods beginning on or after 1 January 2005 but before 1 July 2010, except that the amendments to AASB 3 may be applied only to annual reporting periods beginning on or after 30 June 2007 but before 1 July 2010.
- 5 This Standard uses underlining, striking out and other typographical material to identify some of the amendments to a Standard, 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 3

- 6 Paragraph 19, the heading before paragraph 30 and paragraph 30 are amended (new text is underlined and deleted text is struck through). Paragraphs 64B, 64C and 65A-65E are added.
- 19 For each business combination, the acquirer shall measure at the acquisition date components of any non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either: ~~at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets~~
 - (a) fair value; or

- (b) the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by Australian Accounting Standards.

Share-based payment ~~awards~~ transactions

- 30 The acquirer shall measure a liability or an equity instrument related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment ~~awards~~ transactions with share-based payment ~~awards~~ transactions of the acquirer in accordance with the method in AASB 2 *Share-based Payment at the acquisition date*. (This Standard refers to the result of that method as the 'market-based measure' of the ~~award~~ share-based payment transaction.)

Effective date

- 64B AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* issued in June 2010 amended paragraphs 19, 30 and B56 and added paragraphs B62A and B62B. An entity shall apply those amendments for annual reporting periods beginning on or after 1 July 2010. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact. Application shall be prospective from the date when the entity first applied this Standard.
- 64C Paragraphs 65A-65E were added by AASB 2010-3 issued in June 2010. An entity shall apply those amendments for annual reporting periods beginning on or after 1 July 2010. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact. The amendments shall be applied to contingent consideration balances arising from business combinations with an acquisition date prior to the application of this Standard, as issued in 2008.

Transition

- 65A Contingent consideration balances arising from business combinations whose acquisition dates preceded the date when an entity first applied this Standard as issued in 2008 shall not be adjusted upon first application of this Standard.

Paragraphs 65B-65E shall be applied in the subsequent accounting for those balances. Paragraphs 65B-65E shall not apply to the accounting for contingent consideration balances arising from business combinations with acquisition dates on or after the date when the entity first applied this Standard as issued in 2008. In paragraphs 65B-65E business combination refers exclusively to business combinations whose acquisition date preceded the application of this Standard as issued in 2008.

- 65B If a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the acquirer shall include the amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.
- 65C A business combination agreement may allow for adjustments to the cost of the combination that are contingent on one or more future events. The adjustment might, for example, be contingent on a specified level of profit being maintained or achieved in future periods, or on the market price of the instruments issued being maintained. It is usually possible to estimate the amount of any such adjustment at the time of initially accounting for the combination without impairing the reliability of the information, even though some uncertainty exists. If the future events do not occur or the estimate needs to be revised, the cost of the business combination shall be adjusted accordingly.
- 65D However, when a business combination agreement provides for such an adjustment, that adjustment is not included in the cost of the combination at the time of initially accounting for the combination if it either is not probable or cannot be measured reliably. If that adjustment subsequently becomes probable and can be measured reliably, the additional consideration shall be treated as an adjustment to the cost of the combination.
- 65E In some circumstances, the acquirer may be required to make a subsequent payment to the seller as compensation for a reduction in the value of the assets given, equity instruments issued or liabilities incurred or assumed by the acquirer in exchange for control of the acquiree. This is the case, for example, when the acquirer guarantees the market price of equity or debt instruments issued as part of the cost of the business combination and is required to issue additional equity or debt instruments to restore the originally determined cost. In such cases, no increase in the cost of the business combination is recognised. In the case of equity instruments, the fair value of the additional payment is offset by an equal reduction in the

value attributed to the instruments initially issued. In the case of debt instruments, the additional payment is regarded as a reduction in the premium or an increase in the discount on the initial issue.

- 7 In Appendix B, paragraph B56 is amended (new text is underlined and deleted text is struck through) and a footnote to paragraph B56, a heading after paragraph B62 and paragraphs B62A and B62B are added.

B56 An acquirer may exchange its share-based payment awards¹ (replacement awards) for awards held by employees of the acquiree. Exchanges of share options or other share-based payment awards in conjunction with a business combination are accounted for as modifications of share-based payment awards in accordance with AASB 2 *Share-based Payment*. If the acquirer ~~is obliged to replace~~ the acquiree awards, either all or a portion of the market-based measure of the acquirer's replacement awards shall be included in measuring the consideration transferred in the business combination. Paragraphs B57-B62 provide guidance on how to allocate the market-based measure. The acquirer is obliged to replace the acquiree awards if the acquiree or its employees have the ability to enforce replacement. For example, for the purposes of applying this requirement, the acquirer is obliged to replace the acquiree's awards if replacement is required by:

- ~~(a) the terms of the acquisition agreement;~~
- ~~(b) the terms of the acquiree's awards; or~~
- ~~(c) applicable laws or regulations.~~

However, in ~~in some~~ situations, ~~in which~~ acquiree awards ~~may~~ would expire as a consequence of a business combination ~~and~~. ~~If~~ if the acquirer replaces those awards ~~when even though~~ it is not obliged to do so, all of the market-based measure of the replacement awards shall be recognised as remuneration cost in the post-combination financial statements in accordance with AASB 2. That is to say, none of the market-based measure of those awards shall be included in measuring the consideration transferred in the business combination. The acquirer is obliged to replace the acquiree awards if the acquiree or its employees have the ability to enforce replacement. For example, for the

¹ In paragraphs B56-B62 the term 'share-based payment awards' refers to vested or unvested share-based payment transactions.

purposes of applying this guidance, the acquirer is obliged to replace the acquiree's awards if replacement is required by:

- (a) the terms of the acquisition agreement;
- (b) the terms of the acquiree's awards; or
- (c) applicable laws or regulations.

Equity-settled share-based payment transactions of the acquiree

B62A The acquiree may have outstanding share-based payment transactions that the acquirer does not exchange for its share-based payment transactions. If vested, those acquiree share-based payment transactions are part of the non-controlling interest in the acquiree and are measured at their market-based measure. If unvested, they are measured at their market-based measure as if the acquisition date were the grant date in accordance with paragraphs 19 and 30.

B62B The market-based measure of unvested share-based payment transactions is allocated to the non-controlling interest on the basis of the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the share-based payment transaction. The balance is allocated to post-combination service.

Amendments to AASB 7

8 Paragraphs 44B and 44K are added.

44B AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* deleted paragraph 3(c). An entity shall apply that amendment for annual reporting periods beginning on or after 1 July 2009. If an entity applies AASB 3 (revised 2008) for an earlier period, the amendment shall also be applied for that earlier period. However, the amendment does not apply to contingent consideration that arose from a business combination for which the acquisition date preceded the application of AASB 3 (revised 2008). Instead, an entity shall account for such consideration in accordance with paragraphs 65A-65E of AASB 3 (as amended in 2010).

44K Paragraph 44B was added by AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* issued in June 2010. An entity shall apply the last two sentences of paragraph 44B for annual reporting

periods beginning on or after 1 July 2010. Earlier application is permitted.

Amendments to AASB 121

9 Paragraphs 60B and 60D are added.

60B AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* added paragraphs 48A-48D and amended paragraph 49. An entity shall apply those amendments prospectively for annual reporting periods beginning on or after 1 July 2009. If an entity applies AASB 127 (amended 2008) for an earlier period, the amendments shall be applied for that earlier period.

60D Paragraph 60B was added by AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* issued in June 2010. An entity shall apply the amendments noted in paragraph 60B prospectively for annual reporting periods beginning on or after 1 July 2010. Earlier application is permitted.

Amendments to AASB 128

10 Paragraphs 41B and 41E are added.

41B AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* amended paragraphs 18, 19 and 35 and added paragraph 19A. An entity shall apply the amendment to paragraph 35 retrospectively and the amendments to paragraphs 18 and 19 and paragraph 19A prospectively for annual reporting periods beginning on or after 1 July 2009. If an entity applies AASB 127 (amended 2008) for an earlier period, the amendments shall be applied for that earlier period.

41E Paragraph 41B was added by AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* issued in June 2010. An entity shall apply the amendment to paragraph 35 retrospectively and the amendments to paragraphs 18 and 19 and paragraph 19A prospectively for annual reporting periods beginning on or after 1 July 2010. Earlier application is permitted. If an entity applies the amendment before 1 July 2010 it shall disclose that fact.

Amendments to AASB 131

11 Paragraphs 58A and 58D are added.

58A AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* amended paragraphs 45 and 46 and added paragraphs 45A and 45B. An entity shall apply the amendment to paragraph 46 retrospectively and the amendment to paragraph 45 and paragraphs 45A and 45B prospectively for annual reporting periods beginning on or after 1 July 2009. If an entity applies AASB 127 (amended 2008) for an earlier period, the amendments shall be applied for that earlier period.

58D Paragraph 58A was added by AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* issued in June 2010. An entity shall apply the amendment to paragraph 46 retrospectively and the amendment to paragraph 45 and paragraphs 45A and 45B prospectively for annual reporting periods beginning on or after 1 July 2010. Earlier application is permitted. If an entity applies the amendment before 1 July 2010 it shall disclose that fact.

Amendments to AASB 132

12 Paragraphs 97B and 97G are added.

97B AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* deleted paragraph 4(c). An entity shall apply that amendment for annual reporting periods beginning on or after 1 July 2009. If an entity applies AASB 3 (revised 2008) for an earlier period, the amendment shall also be applied for that earlier period. However, the amendment does not apply to contingent consideration that arose from a business combination for which the acquisition date preceded the application of AASB 3 (revised 2008). Instead, an entity shall account for such consideration in accordance with paragraphs 65A-65E of AASB 3 (as amended in 2010).

97G Paragraph 97B was added by AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* issued in June 2010. An entity shall apply the last two sentences of paragraph 97B for annual reporting periods beginning on or after 1 July 2010. Earlier application is permitted.

Amendments to AASB 139

13 Paragraphs 103D and 103N are added.

103D AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* deleted paragraph 2(f). An entity shall apply that amendment for annual reporting periods beginning on or after 1 July 2009. If an entity applies AASB 3 (revised 2008) for an earlier period, the amendment shall also be applied for that earlier period. However, the amendment does not apply to contingent consideration that arose from a business combination for which the acquisition date preceded the application of AASB 3 (revised 2008). Instead, an entity shall account for such consideration in accordance with paragraphs 65A-65E of AASB 3 (as amended in 2010).

103N Paragraph 103D was added by AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* issued in June 2010. An entity shall apply the last two sentences of paragraph 103D for annual reporting periods beginning on or after 1 July 2010. Earlier application is permitted.