

AASB Standard

AASB 2010-9

December 2010

**Amendments to Australian
Accounting Standards –
Severe Hyperinflation and
Removal of Fixed Dates for
First-time Adopters**

[AASB 1]



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@aaasb.gov.au
Website: www.aasb.gov.au

Other Enquiries

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

COPYRIGHT

© Commonwealth of Australia 2010

This AASB Standard contains IFRS Foundation copyright material. Reproduction within Australia in unaltered form (retaining this notice) is permitted for personal and non-commercial use subject to the inclusion of an acknowledgment of the source. Requests and enquiries concerning reproduction and rights for commercial purposes within Australia should be addressed to The Director of Finance and Administration, Australian Accounting Standards Board, PO Box 204, Collins Street West, Victoria 8007.

All existing rights in this material are reserved outside Australia. Reproduction outside Australia in unaltered form (retaining this notice) is permitted for personal and non-commercial use only. Further information and requests for authorisation to reproduce for commercial purposes outside Australia should be addressed to the IFRS Foundation at www.ifrs.org.

ISSN 1036-4803

CONTENTS

PREFACE

**ACCOUNTING STANDARD
AASB 2010-9 AMENDMENTS TO AUSTRALIAN ACCOUNTING
STANDARDS – SEVERE HYPERINFLATION AND REMOVAL OF
FIXED DATES FOR FIRST-TIME ADOPTERS**

	<i>Paragraphs</i>
Objective	1
Application	2 – 5
Amendments to AASB 1	6 – 10

Australian Accounting Standard AASB 2010-9 *Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* is set out in paragraphs 1 – 10. All the paragraphs have equal authority.

PREFACE

Standard Amended by AASB 2010-9

This Standard makes amendments to Australian Accounting Standard AASB 1 *First-time Adoption of Australian Accounting Standards*.

These amendments arise from the issuance of *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* (Amendments to IFRS 1) by the International Accounting Standards Board in December 2010.

Main Features of this Standard

Application Date

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

Main Requirements

In respect of the removal of fixed dates, the amendments provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.

The amendments in respect of severe hyperinflation provide guidance for entities emerging from severe hyperinflation either to resume presenting Australian-Accounting-Standards financial statements or to present Australian-Accounting-Standards financial statements for the first time.

ACCOUNTING STANDARD AASB 2010-9

The Australian Accounting Standards Board makes Accounting Standard AASB 2010-9 *Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* under section 334 of the *Corporations Act 2001*.

Dated 31 December 2010

Kevin M. Stevenson
Chair – AASB

ACCOUNTING STANDARD AASB 2010-9

AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS – SEVERE HYPERINFLATION AND REMOVAL OF FIXED DATES FOR FIRST-TIME ADOPTERS

Objective

- 1 The objective of this Standard is to make amendments to AASB 1 *First-time Adoption of Australian Accounting Standards* as a consequence of the issuance of *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* (Amendments to IFRS 1) by the International Accounting Standards Board in December 2010.

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 2011.**

- 4 **This Standard may be applied to annual reporting periods beginning on or after 1 January 2005 but before 1 July 2011. When an entity applies this Standard to such an annual reporting period, it shall disclose that fact.**
- 5 **This Standard uses underlining, striking out and other typographical material to identify some of the amendments to AASB 1, 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

- 6 After paragraph 31B a heading and paragraph 31C are added.

Use of deemed cost after severe hyperinflation

31C If an entity elects to measure assets and liabilities at fair value and to use that fair value as the deemed cost in its opening Australian-Accounting-Standards statement of financial position because of severe hyperinflation (see paragraphs D26-D30), the entity's first Australian-Accounting-Standards financial statements shall disclose an explanation of how, and why, the entity had, and then ceased to have, a functional currency that has both of the following characteristics:

- (a) a reliable general price index is not available to all entities with transactions and balances in the currency.
- (b) exchangeability between the currency and a relatively stable foreign currency does not exist.

- 7 Paragraph B2 of Appendix B is amended (new text is underlined and deleted text is struck through).

Derecognition of financial assets and financial liabilities

B2 Except as permitted by paragraph B3, a first-time adopter shall apply the derecognition requirements in AASB 139 *Financial Instruments: Recognition and Measurement* prospectively for transactions occurring on or after ~~1 January 2004~~ the date of transition to Australian Accounting Standards. ~~In other words~~ For example, if a first-time adopter derecognised non-derivative financial assets or non-derivative financial liabilities in accordance with its previous GAAP as a result of a transaction that occurred before ~~1 January 2004~~ the date of transition to

Australian Accounting Standards, it shall not recognise those assets and liabilities in accordance with Australian Accounting Standards (unless they qualify for recognition as a result of a later transaction or event).

- 8 Paragraphs D1 and D20 of Appendix D are amended (new text is underlined and deleted text is struck through).

Exemptions from other Australian Accounting Standards

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

- (a) ...
- (o) transfers of assets from customers (paragraph D24); ~~and~~
- (p) extinguishing financial liabilities with equity instruments (paragraph D25); ~~and~~
- (q) severe hyperinflation (paragraphs D26-D30).

An entity shall not apply these exemptions by analogy to other items.

Fair value measurement of financial assets or financial liabilities at initial recognition

D20 Notwithstanding the requirements of paragraphs 7 and 9, an entity may apply the requirements in the last sentence of AASB 139 paragraph AG76 and in paragraph AG76A, ~~in either of the following ways:~~

- ~~(a) prospectively to transactions entered into on or after the date of transition to Australian Accounting Standards 25 October 2002; or~~
- ~~(b) prospectively to transactions entered into after 1 January 2004.~~

- 9 A heading and paragraphs D26-D30 are added.

Severe hyperinflation

- D26 If an entity has a functional currency that was, or is, the currency of a hyperinflationary economy, it shall determine whether it was subject to severe hyperinflation before the date of transition to Australian Accounting Standards. This applies to entities that are adopting Australian Accounting Standards for the first time, as well as entities that have previously applied Australian Accounting Standards.
- D27 The currency of a hyperinflationary economy is subject to severe hyperinflation if it has both of the following characteristics:
- (a) a reliable general price index is not available to all entities with transactions and balances in the currency.
 - (b) exchangeability between the currency and a relatively stable foreign currency does not exist.
- D28 The functional currency of an entity ceases to be subject to severe hyperinflation on the functional currency normalisation date. That is the date when the functional currency no longer has either, or both, of the characteristics in paragraph D27, or when there is a change in the entity's functional currency to a currency that is not subject to severe hyperinflation.
- D29 When an entity's date of transition to Australian Accounting Standards is on, or after, the functional currency normalisation date, the entity may elect to measure all assets and liabilities held before the functional currency normalisation date at fair value on the date of transition to Australian Accounting Standards. The entity may use that fair value as the deemed cost of those assets and liabilities in the opening Australian-Accounting-Standards statement of financial position.
- D30 When the functional currency normalisation date falls within a 12-month comparative period, the comparative period may be less than 12 months, provided that a complete set of financial statements (as required by paragraph 10 of AASB 101) is provided for that shorter period.

10 Paragraph 39H is added.

39H AASB 2010-9 *Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*, issued in December 2010, amended paragraphs B2, D1 and D20 and added paragraphs 31C and D26-D30. An entity shall apply those amendments for annual reporting periods beginning on or after 1 July 2011. Earlier application is permitted.