

# **Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014–2016 Cycle and Other Amendments**

**[AASB 1, AASB 128 & AASB 140]**



**Australian Government**

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**Australian Accounting  
Standards Board**

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This Standard is available on the AASB website: [www.aasb.gov.au](http://www.aasb.gov.au).

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## Contents

PREFACE

### ACCOUNTING STANDARD

**AASB 2017-1 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS – TRANSFERS OF INVESTMENT PROPERTY, ANNUAL IMPROVEMENTS 2014–2016 CYCLE AND OTHER AMENDMENTS**

	<i>from page</i>
<b>OBJECTIVE</b>	<b>5</b>
<b>APPLICATION</b>	<b>5</b>
<b>AMENDMENTS TO AASB 1</b>	
<b>Foreign currency transactions and advance consideration</b>	<b>5</b>
<b>Short-term exemptions</b>	<b>6</b>
<b>AMENDMENTS TO AASB 128</b>	<b>7</b>
<b>AMENDMENTS TO AASB 140</b>	<b>8</b>
<b>COMMENCEMENT OF THE LEGISLATIVE INSTRUMENT</b>	<b>9</b>
<b>AVAILABLE ON THE AASB WEBSITE</b>	
<b>IASB Bases for Conclusions – Amendments</b>	

Australian Accounting Standard AASB 2017-1 *Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014–2016 Cycle and Other Amendments* is set out on pages 5 – 9. All the paragraphs have equal authority.

## Preface

### Standards amended by AASB 2017-1

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This Standard makes amendments to AASB 1 *First-time Adoption of Australian Accounting Standards* (July 2015), AASB 128 *Investments in Associates and Joint Ventures* (August 2015) and AASB 140 *Investment Property* (August 2015).

These amendments arise from the issuance of International Financial Reporting Standards *Transfers of Investment Property* (Amendments to IAS 40) and *Annual Improvements to IFRS Standards 2014–2016 Cycle* and IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration* by the International Accounting Standards Board (IASB) in December 2016.

### Main features of this Standard

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#### Main requirements

This Standard amends:

- (a) AASB 1 to delete some short-term exemptions for first-time adopters that were available only for reporting periods that have passed and to add exemptions arising from AASB Interpretation 22 *Foreign Currency Transactions and Advance Consideration*;
- (b) AASB 128 to clarify that:
  - (i) a venture capital organisation, or a mutual fund, unit trust and similar entities may elect, at initial recognition, to measure investments in an associate or joint venture at fair value through profit or loss separately for each associate or joint venture; and
  - (ii) an entity that is not an investment entity may elect to retain the fair value measurement applied by its associates and joint ventures that are investment entities when applying the equity method. This choice is available separately for each investment entity associate or joint venture; and
- (c) AASB 140 to reflect the principle that an entity transfers a property to, or from, investment property when, and only when, there is a change in use of the property supported by evidence that a change in use has occurred.

#### Application date

This Standard applies to for-profit entities for annual periods beginning on or after 1 January 2018 and to not-for-profit entities for annual periods beginning on or after 1 January 2019. Earlier application of amendments to individual Standards is permitted where indicated.

## Accounting Standard AASB 2017-1

The Australian Accounting Standards Board makes Accounting Standard AASB 2017-1 *Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014–2016 Cycle and Other Amendments* under section 334 of the *Corporations Act 2001*.

Dated 13 February 2017

Kris Peach  
Chair – AASB

## Accounting Standard AASB 2017-1 *Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014–2016 Cycle and Other Amendments*

### Objective

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This Standard amends:

- (a) AASB 1 *First-time Adoption of Australian Accounting Standards* (July 2015);
- (b) AASB 128 *Investments in Associates and Joint Ventures* (August 2015); and
- (c) AASB 140 *Investment Property* (August 2015);

as a consequence of the issuance of International Financial Reporting Standards *Transfers of Investment Property* (Amendments to IAS 40) and *Annual Improvements to IFRS Standards 2014–2016 Cycle* and IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration* by the International Accounting Standards Board in December 2016.

### Application

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The amendments set out in this Standard apply to entities and financial statements in accordance with the application of the other Standards set out in AASB 1057 *Application of Australian Accounting Standards* (as amended).

This Standard applies to for-profit entities for annual periods beginning on or after 1 January 2018 and to not-for-profit entities for annual periods beginning on or after 1 January 2019. The amendments to individual Standards may be applied early, separately from the amendments to the other Standards, except that the short-term exemption amendments to AASB 1 cannot be applied early.

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. Ellipses (...) are used to help provide the context within which amendments are made and also to indicate text that is not amended.

### Amendments to AASB 1

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#### Foreign currency transactions and advance consideration

Paragraph 39AC is added.
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39AC AASB 2017-1 *Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014–2016 Cycle and Other Amendments* added paragraph D36 and amended paragraph D1. An entity shall apply that amendment when it applies AASB Interpretation 22 *Foreign Currency Transactions and Advance Consideration*, as identified in AASB 1048 *Interpretation of Standards*.

## Appendix D

In Appendix D, paragraph D1 is amended. A heading and paragraph D36 are added (new text is underlined and deleted text is struck through).

- D1 An entity may elect to use one or more of the following exemptions:
- (a) share-based payment transactions (paragraphs D2 and D3);
  - (b) ...
  - (s) stripping costs in the production phase of a surface mine (paragraph D32); ~~and~~
  - (t) designation of contracts to buy or sell a non-financial item (paragraph D33);
  - (u) revenue (paragraphs D34 and D35); and
  - (v) foreign currency transactions and advance consideration (paragraph D36).
- ...

### **Foreign currency transactions and advance consideration**

- D36 A first-time adopter need not apply AASB Interpretation 22 *Foreign Currency Transactions and Advance Consideration*, as identified in AASB 1048 *Interpretation of Standards*, to assets, expenses and income in the scope of that Interpretation initially recognised before the date of transition to Australian Accounting Standards.

## Short-term exemptions

Paragraph 39AA is deleted and paragraph 39AD is added. Deleted text is struck through and new text is underlined.

## Effective date

- ...
- 39AA ~~[Deleted] AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle*, issued in January 2015, added paragraph E4A in the previous version of this Standard. An entity shall apply that amendment for annual periods beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.~~
- ...
- 39AD AASB 2017-1 *Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014–2016 Cycle and Other Amendments*, issued in February 2017, deleted paragraph 39AA. A for-profit entity shall apply those amendments for annual periods beginning on or after 1 January 2018. A not-for-profit entity shall apply those amendments for annual periods beginning on or after 1 January 2019.

In Appendix E, paragraphs E3–E7 and related headings are deleted.

## Appendix E

### Short-term exemptions from Australian Accounting Standards

*This appendix is an integral part of the Standard.*

...

## Disclosures about financial instruments

E3 ~~[Deleted]~~ A first time adopter may apply the transition provisions in paragraph 44G of AASB 7 (issued in 2005).<sup>3</sup>

~~3 Paragraph E3 was added as a consequence AASB 2010 1 Amendments to Australian Accounting Standards—Limited Exemption from Comparative AASB 7 Disclosures for First time Adopters issued in February 2010. To avoid the potential use of hindsight and to ensure that first time adopters are not disadvantaged as compared with current Australian Accounting Standards preparers, the Board decided that first time adopters should be permitted to use the same transition provisions permitted for existing preparers of financial statements prepared in accordance with Australian Accounting Standards that are included in AASB 2009 2 Amendments to Australian Accounting Standards—Improving Disclosures about Financial Instruments.~~

E4 ~~[Deleted]~~ A first time adopter may apply the transition provisions in paragraph 44M of AASB 7 (issued in 2005).<sup>4</sup>

~~4 Paragraph E4 was added as a consequence of AASB 2010 6 Amendments to Australian Accounting Standards—Disclosures on Transfers of Financial Assets issued in November 2010. To avoid the potential use of hindsight and to ensure that first time adopters are not disadvantaged as compared with current Australian Accounting Standards financial statements preparers, the Board decided that first time adopters should be permitted to use the same transition provisions permitted for existing preparers of financial statements prepared in accordance with Australian Accounting Standards that are included in AASB 2010 6 Amendments to Australian Accounting Standards—Disclosures on Transfers of Financial Assets.~~

E4A ~~[Deleted]~~ A first time adopter may apply the transition provisions in paragraph 44AA of AASB 7.

## Employee benefits

E5 ~~[Deleted]~~ A first time adopter may apply the transition provisions in paragraph 173(b) of AASB 119.

## Investment entities

E6 ~~[Deleted]~~ A first time adopter that is a parent shall assess whether it is an investment entity, as defined in AASB 10, on the basis of the facts and circumstances that exist at the date of transition to Australian Accounting Standards.

E7 ~~[Deleted]~~ A first time adopter that is an investment entity, as defined in AASB 10, may apply the transition provisions in paragraphs C3C–C3D of AASB 10 and paragraphs 18C–18G of AASB 127 if its first Australian Accounting Standards financial statements are for an annual period ending on or before 31 December 2014. The references in those paragraphs to the annual period that immediately precedes the date of initial application shall be read as the earliest annual period presented. Consequently, the references in those paragraphs shall be read as the date of transition to Australian Accounting Standards.

## Amendments to AASB 128

Paragraphs 18 and 36A are amended and paragraph 45E is added. Deleted text is struck through and new text is underlined.

## Exemptions from applying the equity method

...

18 When an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investments in those associates and joint ventures at fair value through profit or loss in accordance with AASB 9. An entity shall make this election separately for each associate or joint venture, at initial recognition of the associate or joint venture.

...

## Equity method procedures

- ...
- 36A Notwithstanding the requirement in paragraph 36, if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.
- ...

## Effective date and transition

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- ...
- 45E AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014–2016 Cycle and Other Amendments, issued in February 2017, amended paragraphs 18 and 36A. A for-profit entity shall apply those amendments retrospectively in accordance with AASB 108 for annual periods beginning on or after 1 January 2018. A not-for-profit entity shall apply those amendments retrospectively in accordance with AASB 108 for annual periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

## Amendments to AASB 140

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Paragraphs 57–58 are amended. Deleted text is struck through and new text is underlined.

## Transfers

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- 57 ~~Transfers~~ An entity shall transfer a property to, or from, investment property ~~shall be made~~ when, and only when, there is a change in use, ~~evidenced by~~. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. Examples of evidence of a change in use include:
- (a) commencement of owner-occupation, or of development with a view to owner-occupation, for a transfer from investment property to owner-occupied property;
  - (b) commencement of development with a view to sale, for a transfer from investment property to inventories;
  - (c) end of owner-occupation, for a transfer from owner-occupied property to investment property; ~~or and~~
  - (d) ~~commencement~~ inception of an operating lease to another party, for a transfer from inventories to investment property.
  - (e) [deleted]
- 58 Paragraph 57(b) requires an entity to transfer a property from investment property to inventories when, and only when, there is a change in use, evidenced by commencement of development with a view to sale. When an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognised (eliminated from the statement of financial position) and does not ~~treat~~ reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment.
- ...



Paragraphs 84C–84E and their related heading, and paragraph 85G, are added.

## Transitional provisions

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...

### Transfers of investment property

- 84C AASB 2017-1 *Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014–2016 Cycle and Other Amendments*, issued in February 2017, amended paragraphs 57–58. An entity shall apply those amendments to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments (the date of initial application). At the date of initial application, an entity shall reassess the classification of property held at that date and, if applicable, reclassify property applying paragraphs 7–14 to reflect the conditions that exist at that date.
- 84D Notwithstanding the requirements in paragraph 84C, an entity is permitted to apply the amendments to paragraphs 57–58 retrospectively in accordance with AASB 108 if, and only if, that is possible without the use of hindsight.
- 84E If, in accordance with paragraph 84C, an entity reclassifies property at the date of initial application, the entity shall:
- (a) account for the reclassification applying the requirements in paragraphs 59–64. In applying paragraphs 59–64, an entity shall:
    - (i) read any reference to the date of change in use as the date of initial application; and
    - (ii) recognise any amount that, in accordance with paragraphs 59–64, would have been recognised in profit or loss as an adjustment to the opening balance of retained earnings at the date of initial application.
  - (b) disclose the amounts reclassified to, or from, investment property in accordance with paragraph 84C. The entity shall disclose those amounts reclassified as part of the reconciliation of the carrying amount of investment property at the beginning and end of the period as required by paragraphs 76 and 79.

## Effective date

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...

- 85G AASB 2017-1 *Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014–2016 Cycle and Other Amendments*, issued in February 2017, amended paragraphs 57–58 and added paragraphs 84C–84E. A for-profit entity shall apply those amendments for annual periods beginning on or after 1 January 2018. A not-for-profit entity shall apply those amendments for annual periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

## Commencement of the legislative instrument

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For legal purposes, this legislative instrument commences on 31 December 2017.