AASB Standard

AASB 2018-1
February 2018

Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle

[AASB 3, AASB 11, AASB 112 & AASB 123]

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.

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Preface

Standards amended by AASB 2018-1

This Standard makes amendments to AASB 3 *Business Combinations* (August 2015), AASB 11 *Joint Arrangements* (July 2015), AASB 112 *Income Taxes* (August 2015) and AASB 123 *Borrowing Costs* (August 2015).

These amendments arise from the issuance of International Financial Reporting Standard *Annual Improvements to IFRS Standards 2015–2017 Cycle* by the International Accounting Standards Board (IASB) in December 2017.

Main features of this Standard

Main requirements

The Standard amends:

(a) AASB 3 to clarify that an entity remeasures its previously held interest in a joint operation when it obtains control of the business;

(b) AASB 11 to clarify that an entity does not remeasure its previously held interest in a joint operation when it obtains joint control of the business;

(c) AASB 112 to clarify that an entity accounts for all income tax consequences of dividend payments according to where the entity originally recognised the past transactions or events that generated the distributable profits; and

(d) AASB 123 to clarify that an entity treats any borrowing originally made to develop a qualifying asset as part of general borrowings when the asset is ready for its intended use or sale.

Application date

This Standard applies to annual periods beginning on or after 1 January 2019. Earlier application is permitted.

Accounting Standard AASB 2018-1

The Australian Accounting Standards Board makes Accounting Standard AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle* under section 334 of the *Corporations Act 2001*.

Kris Peach
Dated 14 February 2018 Chair – AASB

Accounting Standard AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle*

Objective

This Standard amends:

(a) AASB 3 *Business Combinations* (August 2015);

(b) AASB 11 *Joint Arrangements* (July 2015);

(c) AASB 112 *Income Taxes* (August 2015); and

(d) AASB 123 *Borrowing Costs* (August 2015);

as a consequence of the issuance of International Financial Reporting Standard *Annual Improvements to IFRS Standards 2015–2017 Cycle* by the International Accounting Standards Board in December 2017.

Application

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 annual periods beginning on or after 1 January 2019.

The amendments to individual Standards may be applied to annual periods beginning before 1 January 2019, separately from the amendments to the other Standards. When an entity applies this Standard (in whole or in part) to such an annual period, it shall disclose that fact.

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 3

Paragraphs 42A and 64O are added.

Additional guidance for applying the acquisition method to particular types of business combinations

A business combination achieved in stages

...

42A When a party to a joint arrangement (as defined in AASB 11 *Joint Arrangements*) obtains control of a business that is a joint operation (as defined in AASB 11), and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is a business combination achieved in stages. The acquirer shall therefore apply the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation in the manner described in paragraph 42. In doing so, the acquirer shall remeasure its entire previously held interest in the joint operation.

Effective date and transition

Effective date

...

64O AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle*, issued in February 2018, added paragraph 42A. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies those amendments earlier, it shall disclose that fact.

Amendments to AASB 11

Paragraph B33CA and paragraph C1AB are added.

Accounting for acquisitions of interests in joint operations

...

B33CA A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in AASB 3. In such cases, previously held interests in the joint operation are not remeasured.

...

Effective date

...

C1AB AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle*, issued in February 2018, added paragraph B33CA. An entity shall apply those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies those amendments earlier, it shall disclose that fact.

Amendments to AASB 112

Paragraphs 57A and 98I are added, the heading of the example below paragraph 52B is amended and paragraph 52B is deleted. New text is underlined and deleted text is struck through.

Measurement

...

52B [Deleted] ~~In the circumstances described in paragraph 52A, the income tax consequences of dividends are recognised when a liability to pay the dividend is recognised. The income tax consequences of dividends are more directly linked to past transactions or events than to distributions to owners. Therefore, the income tax consequences of dividends are recognised in profit or loss for the period as required by paragraph 58 except to the extent that the income tax consequences of dividends arise from the circumstances described in paragraph 58(a) and (b).~~

Example illustrating paragraphs 52A and ~~52B~~57A
...

...

Recognition of current and deferred tax

...

57A An entity shall recognise the income tax consequences of dividends as defined in AASB 9 when it recognises a liability to pay a dividend. The income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

Effective date

...

98I AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle*, issued in February 2018, added paragraph 57A and deleted paragraph 52B. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies those amendments earlier, it shall disclose that fact. When an entity first applies those amendments, it shall apply them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Amendments to AASB 123

Paragraph 14 is amended, and paragraphs 28A and 29D are added. Deleted text is struck through and new text is underlined.

Recognition

...

Borrowing costs eligible for capitalisation

...

14 To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to ~~the~~ all borrowings of the entity that are outstanding during the period.~~, other than borrowings~~ However, an entity shall exclude from this calculation borrowing costs applicable to borrowings made specifically for the purpose of obtaining a qualifying asset until substantially all the activities necessary to prepare that asset for its intended use or sale are complete. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

...

Transitional provisions

...

28A AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle*, issued in February 2018, amended paragraph 14. An entity shall apply those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.

Effective date

...

29D AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle*, issued in February 2018, amended paragraph 14 and added paragraph 28A. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies those amendments earlier, it shall disclose that fact.

Commencement of the legislative instrument

For legal purposes, this legislative instrument commences on 31 December 2018.