

International Financial Reporting Standard

Consolidated Financial Statements and Joint Arrangements

May 2011

BASES FOR CONCLUSIONS – AMENDMENTS

**[IFRS 1, 2, 3, 4, 5, 8 & 9 and IAS 1, 19, 21, 24, 32, 36 & 39 and IFRIC 4, 5, 9 & 17
and SIC 7]**

[Related to AASB 2011-7]

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Appendix

Amendments to the Basis for Conclusions on other IFRSs

This appendix contains amendments to the Basis for Conclusions on other IFRSs that are necessary in order to ensure consistency with IFRS 10 and the related amendments to other IFRSs. Amended footnotes are shown with the new text underlined and deleted text struck through.

IFRS 1 *First-time Adoption of International Financial Reporting Standards*

BCA1 In paragraph BC23(b) ‘special purpose entities’ is footnoted as follows:

- * SIC-12 *Consolidation—Special Purpose Entities* was withdrawn and superseded by IFRS 10 *Consolidated Financial Statements* issued in May 2011. There is no longer specific accounting guidance for special purpose entities because IFRS 10 applies to all types of entities.

In paragraph BC58A ‘IAS 39’ is footnoted as follows:

- * The consolidation guidance was removed from IAS 27 and the Standard was renamed *Separate Financial Statements* by IFRS 10 *Consolidated Financial Statements* issued in May 2011. The accounting requirements for separate financial statements were not changed.

In paragraph BC58M ‘BC66J’ is footnoted as follows:

- * renumbered to paragraphs 12 and BC16–BC22 when IAS 27 was amended in May 2011.

The footnote to paragraph BC60 is amended as follows:

- * In January 2008 the IASB issued an amended IAS 27 *Consolidated and Separate Financial Statements*, which amended ‘minority interest’ to ‘non-controlling interests’. The consolidation requirements in IAS 27 were superseded by IFRS 10 *Consolidated Financial Statements* issued in May 2011. The term ‘non-controlling interests’ and the requirements for non-controlling interests were not changed.

IFRS 2 *Share-based Payment*

BCA2 Paragraph BC22E is footnoted as follows:

- * The consolidation requirements in IAS 27 were superseded by IFRS 10 *Consolidated Financial Statements* issued in May 2011. The definition of control changed but the definition of a group was not substantially changed.

IFRS 3 *Business Combinations*

BCA3 In paragraph BC93 'parent-subsidiary relationship' is footnoted as follows:

- * The consolidation requirements in IAS 27 were superseded, and the definition of control was revised, by IFRS 10 *Consolidated Financial Statements* issued in May 2011.

Paragraph BC218 is footnoted as follows:

- * The consolidation requirements in IAS 27 were superseded by IFRS 10 *Consolidated Financial Statements* issued in May 2011. The requirements with respect to transactions between owners in their capacity as owners did not change.

In paragraph BC430 'acquisition date' is footnoted as follows:

- * The consolidation requirements in IAS 27 were superseded by IFRS 10 *Consolidated Financial Statements* issued in May 2011. The requirements for the subsequent accounting for an acquiree in consolidated financial statements were not changed.

In paragraph BC431 'as soon as it is published' is footnoted as follows:

- * The consolidation requirements in IAS 27 were superseded by IFRS 10 *Consolidated Financial Statements* issued in May 2011. The requirements for the accounting for changes in controlling ownership interests were not changed.

IFRS 4 *Insurance Contracts*

BCA4 The footnote to paragraph BC7(a) is amended as follows:

- * The Board completed the second phase of its project on business combinations in 2008 by issuing a revised IFRS 3 *Business*

Combinations and an amended version of IAS 27 Consolidated and Separate Financial Statements. The consolidation requirements in IAS 27 were superseded by IFRS 10 Consolidated Financial Statements issued in May 2011.

In paragraph BC131 the first sentence is footnoted as follows:

- * The consolidation requirements in IAS 27 were superseded by IFRS 10 *Consolidated Financial Statements* issued in May 2011, but the accounting policy requirements were not changed.

The footnote to 'minority interests' in paragraph BC164 is amended as follows:

- * In January 2008 the IASB issued an amended IAS 27 *Consolidated and Separate Financial Statements*, which amended 'minority interest' to 'non-controlling interests'. The consolidation requirements in IAS 27 were superseded by IFRS 10 Consolidated Financial Statements issued in May 2011. The term 'non-controlling interests' and the requirements for non-controlling interests were not changed.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

BCA5 In paragraph BC24B 'until control is lost' is footnoted as follows:

- * The consolidation requirements in IAS 27 were superseded, and the definition of control was consequently revised, by IFRS 10 *Consolidated Financial Statements* issued in May 2011. The requirement to consolidate a subsidiary until control is lost did not change.

Paragraph BC53 is footnoted as follows:

- * The consolidation requirements in IAS 27 were superseded by IFRS 10 *Consolidated Financial Statements* issued in May 2011. IFRS 10 does not contain an exception from consolidation for subsidiaries acquired and held exclusively with a view to resale.

Paragraph BC79A is footnoted as follows:

- * The consolidation requirements in IAS 27 were superseded by IFRS 10 *Consolidated Financial Statements* issued in May 2011. Paragraph 45(c) in IAS 27 was moved to paragraph C6(c) of IFRS 10; however, the transition provisions were not changed.

IFRS 8 Operating Segments

BCA6 The footnote to 'minority interest' in paragraph BC23 is amended as follows:

- * In January 2008 the IASB issued an amended IAS 27 *Consolidated and Separate Financial Statements*, which amended 'minority interest' to 'non-controlling interests'. The consolidation requirements in IAS 27 were superseded by IFRS 10 Consolidated Financial Statements issued in May 2011. The term 'non-controlling interests' and the requirements for non-controlling interests were not changed.

IFRS 9 Financial Instruments (as issued at October 2010)

BCA7 Paragraph BCZ3.15 is footnoted as follows:

- * SIC-12 *Consolidation—Special Purpose Entities* was withdrawn and superseded by IFRS 10 *Consolidated Financial Statements* issued in May 2011. There is no longer specific accounting guidance for special purpose entities because IFRS 10 applies to all types of entities.

IAS 1 Presentation of Financial Statements

BCA8 The footnote to paragraph BC4(e) is amended as follows:

- * In January 2008 the IASB issued an amended IAS 27 *Consolidated and Separate Financial Statements*, which amended 'minority interest' to 'non-controlling interests'. The consolidation requirements in IAS 27 were superseded by IFRS 10 Consolidated Financial Statements issued in May 2011. The term 'non-controlling interests' and the requirements for non-controlling interests were not changed.

The footnote to the heading above paragraph BC59 is amended as follows:

- * In January 2008 the IASB issued an amended IAS 27 *Consolidated and Separate Financial Statements*, which amended 'minority interest' to 'non-controlling interests'. The consolidation requirements in IAS 27 were superseded by IFRS 10 Consolidated Financial Statements issued in May 2011. The term 'non-controlling interests' and the requirements for non-controlling interests were not changed.

IAS 19 Employee Benefits

BCA9 Paragraph BC10E is footnoted as follows:

- * The consolidation requirements in IAS 27 were superseded by IFRS 10 *Consolidated Financial Statements* issued in May 2011. The criteria for the exemption from preparing consolidated financial statements were not changed.

In paragraph BC68D(f) 'and should consolidate' is footnoted as follows:

- * SIC-12 *Consolidation—Special Purpose Entities* was withdrawn and superseded by IFRS 10 *Consolidated Financial Statements* issued in May 2011. There is no longer specific accounting guidance for special purpose entities because IFRS 10 applies to all types of entities.

IAS 21 The Effects of Changes in Foreign Exchange Rates

BCA10 The footnote to the heading above paragraph BC33 is amended as follows:

- * This heading and paragraphs BC33 and BC34 were added as a consequence of amendments to IAS 27 *Consolidated and Separate Financial Statements* made as part of the second phase of the business combinations project in 2008. The consolidation requirements in IAS 27 were superseded by IFRS 10 *Consolidated Financial Statements* issued in May 2011. The accounting requirements did not change.

Paragraph BC35 is footnoted as follows:

- * The consolidation guidance was removed from IAS 27 and the Standard was renamed *Separate Financial Statements* by IFRS 10 *Consolidated Financial Statements* issued in May 2011. The accounting requirements for dividends were not changed.

IAS 24 Related Party Disclosures

BCA11 Paragraph BC49(b) is footnoted as follows:

- * The consolidation guidance was removed from IAS 27 and the Standard was renamed *Separate Financial Statements* by IFRS 10 *Consolidated Financial Statements* issued in May 2011. The definition of separate financial statements was not changed.

IAS 32 *Financial Instruments: Presentation*

BCA12 In paragraph BC49(h) the footnote to 'minority interest' is amended as follows:

- * In January 2008 the IASB issued an amended IAS 27 *Consolidated and Separate Financial Statements*, which amended 'minority interest' to 'non-controlling interests'. The consolidation requirements in IAS 27 were superseded by IFRS 10 *Consolidated Financial Statements* issued in May 2011. The term 'non-controlling interests' and the requirements for non-controlling interests were not changed.

IAS 36 *Impairment of Assets*

BCA13 In paragraph BC2 the reference to 'IAS 27 *Consolidated and Separate Financial Statements*' is footnoted as follows:

- * The consolidation requirements in IAS 27 were superseded by IFRS 10 *Consolidated Financial Statements* issued in May 2011.

IAS 39 *Financial Instruments: Recognition and Measurement* (as amended at September 2010)

BCA14 Paragraph BC55 is footnoted as follows:

- * SIC-12 *Consolidation—Special Purpose Entities* was withdrawn and superseded by IFRS 10 *Consolidated Financial Statements* issued in May 2011. There is no longer specific accounting guidance for special purpose entities because IFRS 10 applies to all types of entities.

IFRIC 4 *Determining whether an Arrangement contains a Lease*

BCA15 Paragraph BC25 is footnoted as follows:

- * SIC-12 *Consolidation—Special Purpose Entities* was withdrawn and superseded by IFRS 10 *Consolidated Financial Statements* issued in May 2011. There is no longer specific accounting guidance for special purpose entities because IFRS 10 applies to all types of entities.

IFRIC 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*

BCA16 In paragraph BC2 ‘interpretative guidance’ is footnoted as follows:

- * The consolidation requirements in IAS 27 and SIC-12 were superseded by IFRS 10 *Consolidated Financial Statements* issued in May 2011.

IFRIC 17 *Distributions of Non-cash Assets to Owners*

BCA17 Paragraph BC13 is footnoted as follows:

- * The consolidation guidance was removed from IAS 27 and the Standard was renamed *Separate Financial Statements* by IFRS 10 *Consolidated Financial Statements* issued in May 2011. The accounting requirements for transactions between owners did not change.

SIC-7 *Introduction of the Euro*

BCA18 In the rubric above paragraph 5 ‘IAS 27 in 2008’ is footnoted as follows:

- * The consolidation requirements in IAS 27 were superseded, and IAS 27 was renamed *Separate Financial Statements*, by IFRS 10 *Consolidated Financial Statements* issued in May 2011.

Appendix

Amendments to the Basis for Conclusions on other IFRSs

This appendix contains amendments to the Basis for Conclusions on other IFRSs that are necessary in order to ensure consistency with IFRS 11 and the related amendments to other IFRSs. Amended paragraphs are shown with new text underlined and deleted text struck through.

IFRS 1 *First-time Adoption of International Financial Reporting Standards*

BCA1 In paragraph BC30(f), the heading above paragraph BC58A and in paragraphs BC58A and BC58K the term ‘jointly controlled entities’ is footnoted as follows:

- * ‘Jointly controlled entities’ were defined in IAS 31 *Interests in Joint Ventures*. IFRS 11 *Joint Arrangements*, issued in May 2011, replaced IAS 31 and changed the terminology.

Paragraph BC30 is amended as follows:

BC30 An entity may elect to use one or more of the following exemptions:

- (a) ...
- (l) borrowing costs (paragraph BC63E); ~~and~~
- (m) severe hyperinflation (paragraphs BC63F–BC63J); ~~and~~
- (n) joint arrangements (paragraphs BC63K and BC63L).

A heading and paragraphs BC63K and BC63L are added.

Joint arrangements

BC63K During its redeliberation of the exposure draft ED 9 *Joint Arrangements* the Board decided not to require entities changing from proportionate consolidation to the equity method to adjust any differences between the two accounting methods retrospectively. Instead an entity should determine the opening balance of the investment relating to its interest in a joint venture as the aggregate of the carrying amounts of the assets and liabilities that the entity had been previously proportionately consolidated, including any goodwill arising

from acquisition as at the beginning of the earliest period presented. The Board decided to treat first-time adopters in the same way as entities that already apply IFRSs with the following exception.

- BC63L A first-time adopter is required to test for impairment the opening investment in accordance with IAS 36 at the earliest period presented, regardless of whether there is any indication that the investment may be impaired. The Board noted that this is a more stringent requirement for the application of IFRS 11 *Joint Arrangements* by first-time adopters, but is aligned with the requirement for first-time adopters to apply IAS 36 in testing goodwill for impairment at the date of transition to IFRSs regardless of whether there is any indication that the goodwill may be impaired.

IFRS 3 Business Combinations

- BCA2 In paragraph BC60, 'IAS 31 *Interests in Joint Ventures*' is footnoted as follows:

* IFRS 11 *Joint Arrangements*, issued in May 2011, replaced IAS 31.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

- BCA3 After paragraph BC72, a heading and paragraph BC72A are added.

Changes to a plan of sale (amendment 2011)

- BC72A During its redeliberation of the exposure draft ED 9 *Joint Arrangements* the Board decided that if a disposal group or non-current asset that ceases to be classified as held for sale is a subsidiary, a joint operation, a joint venture, an associate, or a portion of an interest in a joint venture or associate, an entity should amend its financial statements for the periods since the classification as held for sale was made.

IFRS 9 *Financial Instruments* (issued October 2010)

BCA4 In paragraph BCZ4.109 'IAS 28 *Investments in Associates*' is footnoted as follows:

- * In May 2011, the Board amended IAS 28 and changed its title to *Investments in Associates and Joint Ventures*.

IAS 21 *The Effects of Changes in Foreign Exchange Rates*

BCA5 In paragraph BC33, 'a jointly controlled entity' is footnoted as follows:

- * 'Jointly controlled entities' were defined in IAS 31 *Interests in Joint Ventures*. IFRS 11 *Joint Arrangements*, issued in May 2011, replaced IAS 31 and changed the terminology.

After paragraph BC35, a heading and paragraphs BC36–BC40 are added.

Disposal or partial disposal of a foreign operation (amendment 2011)

BC36 During its redeliberation of the exposure draft ED 9 *Joint Arrangements*, the Board reconsidered whether its decision in the second phase of the business combinations project to characterise loss of joint control or loss of significant influence as a significant economic event (ie in the same way that loss of control is characterised as a significant economic event) was appropriate. If it were, the Board thought that the entity should be required to recalibrate the accounting as required by IFRS 10 *Consolidated Financial Statements*. However, the Board concluded that, although significant, the events are fundamentally different. In the case of loss of control, the cessation of the parent-subsidiary relationship results in the derecognition of assets and liabilities because the composition of the group changes. If joint control or significant influence is lost the composition of the group is unaffected.

BC37 The Board also noted that retaining the characterisation of significant economic event in the case of loss of joint control or significant influence when the retained interest is a financial asset is unnecessary. IFRS 9 already requires that in such cases the retained interest (ie a financial asset) must be measured at fair value.

- BC38 In the case of loss of joint control when significant influence is maintained, the Board acknowledged that the investor-investee relationship changes and, consequently, so does the nature of the investment. However, in this instance, both investments (ie the joint venture and the associate) continue to be measured using the equity method. Considering that there is neither a change in the group boundaries nor a change in the measurement requirements, the Board concluded that losing joint control and retaining significant influence is not an event that warrants remeasurement of the retained interest at fair value.
- BC39 Consequently, the Board removed all descriptions that characterise loss of joint control or significant influence as a significant economic event as introduced in the second phase of the Board's project on business combinations.
- BC40 The Board also decided to align the conclusions reached on the loss of joint control when significant influence is maintained with the requirements in IAS 21 so that the change from joint control to significant influence is treated as a 'partial' disposal rather than deemed to be an 'entire' disposal. As a consequence, the Board concluded that when an entity loses joint control of a joint arrangement that includes a foreign operation but retains significant influence, an entity reclassifies to profit or loss only the proportionate share of the cumulative amount of the exchange differences recognised in other comprehensive income relating to a foreign operation in that joint arrangement.

IAS 24 Related Party Disclosures

- BCA6 In paragraph BC15 of IAS 24, 'IAS 28 *Investments in Associates*' is footnoted as follows:

* In May 2011, the Board amended IAS 28 and changed its title to *Investments in Associates and Joint Ventures*.

and 'IAS 31 *Interests in Joint Ventures*' is footnoted as follows:

* IFRS 11 *Joint Arrangements*, issued in May 2011, replaced IAS 31.

IFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

BCA7 In paragraph BC2 'IAS 28 *Investments in Associates*' is footnoted as follows:

- * In May 2011, the Board amended IAS 28 and changed its title to *Investments in Associates and Joint Ventures*.

and 'IAS 31 *Interests in Joint Ventures*' is footnoted as follows:

- * IFRS 11 *Joint Arrangements*, issued in May 2011, replaced IAS 31.

In paragraphs BC9 and BC23 'IAS 31' is footnoted as follows:

- * IFRS 11 *Joint Arrangements*, issued in May 2011, replaced IAS 31.

In paragraph BC26 'proportional consolidation' is footnoted as follows:

- * IFRS 11 *Joint Arrangements*, issued in May 2011, replaced IAS 31. IFRS 11 does not permit an entity to use 'proportional consolidation' for accounting for interests in joint ventures.

IFRIC 9 Reassessment of Embedded Derivatives

BCA8 In paragraph BC5A 'venturer' is footnoted as follows:

- * IFRS 11 *Joint Arrangements*, issued in May 2011, replaced IAS 31. IFRS 11 uses the term 'joint venturers' to designate parties that have joint control of a joint venture.