

Technical Accounting Alert

Annual Improvements 2009

Introduction

The IASB has published Improvements to IFRSs ('2009 Improvements') which makes minor amendments to a number of International Financial Reporting Standards (IFRSs) issued in Australia as AASB 2009-4 and AASB 2009-5. This publication completes the IASB's second round of annual improvements.

Background to the 2009 Improvements

The annual improvements process has been developed to address non-urgent, but necessary, minor amendments to IFRSs. Issues dealt with in this process arise from matters raised by the International Financial Reporting Interpretations Committee (IFRIC) and suggestions from staff or practitioners, and focus on areas of inconsistency in IFRSs or where clarification of wording is required. Rather than making a series of piecemeal changes during the year, the process streamlines the IASB's improvement activity by presenting the changes in a single document each year.

Effective date

The effective date for each amendment has been included in the amended text of each of the IFRSs affected. The transitional rules vary, with some amendments requiring retrospective application, while others are to be applied prospectively. For a proper understanding of the effective date and transition requirements, reference should be made to the 2009 Amendments (the references in the below table are to the relevant paragraphs in the text of each of the IFRSs as amended by the 2009 Improvements).

The AASB have separated the amendments into two standards with differing effective dates; although they have retained the early adoption provisions in each of the standards. The effective dates are shown below:

Standard name	Operative date
2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2, AASB 138 and AASB Interpretations 9 & 16]	1 July 2009
2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2010

IFRSs affected

The following table sets out the IFRSs that are affected by the amendments, the issue addressed, a brief description of the change and a reference to the effective date and transition requirements. Reference should be made to the 2009 Improvements for more details.

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Standard Affected	Issue	Summary of change	Effective date and transition
			References are to IFRSs as amended by the 2009 Improvements
AASB 2009-04			
IFRS 2 / AASB 2 Share-based Payment	Scope of IFRS 2 and revised IFRS 3	Amends IFRS 2 to confirm that the contribution of a business on the formation of a joint venture and common control transactions are not within the scope of IFRS 2.	IFRS 2.61
IAS 38 / AASB 138 Intangible Assets	Additional consequential amendments arising from revised IFRS 3	Aims to clarify the effect of IFRS 3 Revised on the accounting for intangible assets acquired in a business combination.	IAS 38.130C and IAS 38.130E
	Measuring the fair value of an intangible asset acquired in a business combination	Clarifies the description of valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination that are not traded in active markets.	
IFRIC 9 / Interpretation 9 Reassessment of Embedded Derivatives	Scope of IFRIC 9 and revised IFRS 3	Clarifies that IFRIC 9 does not apply to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture.	IFRIC 9.11
IFRIC 16 / Interpretation 16 Hedges of a Net Investment in a Foreign Operation	Amendment to the restriction on the entity that can hold hedging instruments	Removal of the restriction that the hedge of a net investment in a foreign operation cannot be held by the foreign operation that is itself being hedged.	IFRIC 16.18
AASB 2009-05			
IFRS 5 / AASB 5 Non-current Assets Held for Sale and Discontinued Operations	Disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations	Clarifies that IFRS 5 and other IFRSs that specifically refer to non-current assets (or disposal groups) classified as held for sale or discontinued operations set out all the disclosures required in respect of those assets or operations.	IFRS 5.44E
IFRS 8 / AASB 8 Operating Segments	Disclosure of information about segment assets	Clarifies that a measure of segment assets should be disclosed only if that amount is regularly provided to the chief operating decision maker.	IFRS 8.35A-36
IAS 1 / AASB 101 Presentation of Financial Statements	Current/non-current classification of convertible instruments	Amendment to clarify the classification of a liability that can, at the option of the counterparty, be settled by the issue of the entity's equity instruments.	IAS 1.139D
IAS 7 / AASB 107 Statement of Cash Flows	Classification of expenditures on unrecognised assets	Amends IAS 7 to state explicitly that only an expenditure that results in a recognised asset can be classified as a cash flow from investing activities.	IAS 7.56

Standard Affected	Issue	Summary of change	Effective date and transition
IAS 17/ AASB 117 Leases	Classification of leases of land and buildings	Amendment to IAS 17 clarifying that when a lease includes both land and buildings elements, an entity assesses the classification of each element as a finance or an operating lease separately in accordance with the general guidance on lease classification in paragraphs 7-13 of IAS 17.	References are to IFRSs as amended by the 2009 Improvements IAS 17.68A and IAS 17.69A
IAS 18 / AASB 118 Revenue	Determining whether an entity is acting as a principal or as an agent	Provides guidance on determining whether an entity is acting as a principal or as an agent.	None, amendment to non-mandatory Appendix
IAS 36 / AASB 136 Impairment of Assets	Unit of accounting for goodwill impairment test	Clarifies that the largest unit permitted by IAS 36 for the purpose of allocating goodwill to cash-generating units is the operating segment level defined in IFRS 8 before aggregation as permitted in that Standard.	IAS 36.140E
IAS 39 / AASB 139 Financial Instruments: Recognition and Measurement	Treating loan prepayment penalties as closely related embedded derivatives	Aims to clarify whether embedded prepayment options, in which the exercise price represented a penalty for early repayment of the loan, are considered closely related to the host debt contract.	IAS 39.103K
	Scope exemption for business combination contracts	Aims to clarify that the scope exemption in IAS 39.2(g) applies only to binding (forward) contracts between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date.	IAS 39.103K
	Cash flow hedge accounting	Clarifies when gains and losses on hedging instruments should be reclassified from equity to profit and loss account as a reclassification adjustment.	IAS 39.103K

Further information

For further information on any of the information included in this TA alert, please contact your local Grant Thornton Australia contact or a member of the National Audit Support team at NAS@grantthornton.com.au