

# **Explanatory Statement**

**Accounting Standard AASB 2008-2**  
***Amendments to Australian Accounting***  
***Standards – Puttable Financial***  
***Instruments and Obligations arising on***  
***Liquidation***

**March 2008**



**Australian Government**

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**Australian Accounting  
Standards Board**

## **EXPLANATORY STATEMENT**

### **Reasons for Issuing AASB 2008-2**

AASB 2008-2 makes amendments to the following Australian Accounting Standards and Interpretation:

1. AASB 7 *Financial Instruments: Disclosures*
2. AASB 101 *Presentation of Financial Statements*
3. AASB 132 *Financial Instruments: Presentation*
4. AASB 139 *Financial Instruments: Recognition and Measurement*
5. Interpretation 2 *Members' Shares in Co-operative Entities and Similar Instruments*.

These amendments arise from the issuance by the International Accounting Standards Board in February 2008 of amendments to IAS 32 *Financial Instruments: Presentation* regarding puttable financial instruments and obligations arising on liquidation.

### **Main Features of AASB 2008-2**

#### **Application Date**

This Standard is applicable to annual reporting periods beginning on or after 1 January 2009, with early adoption permitted for annual reporting periods beginning on or after 1 January 2005 but before 1 January 2009.

#### **Main Requirements**

This Amending Standard introduces an exception to the definition of financial liability to classify as equity instruments certain puttable financial instruments and certain instruments that impose on an entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation of the entity.

This change to AASB 132 necessitates consequential amendments to AASB 7, AASB 101, AASB 139 and Interpretation 2.

## **Consultation Prior to Issuing AASB 2008-2**

The AASB issued Exposure Draft ED 150 Proposed Amendments to AASB 132 *Financial Instruments: Presentation* and AASB 101 *Presentation of Financial Statements: Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation*, the Australian equivalent to the IASB Exposure Draft of Proposed Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements: Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation*, in April 2006

Five submissions were received in respect of the proposals in the ED and although there was support for adopting an Australian equivalent to the proposed IASB revision, there was concern that the amendments are narrowly focused. Two types of entities unaffected by these amendments within the Australian environment but which face similar issues are:

- (a) unit trusts with mandatory dividend distribution obligations; and
- (b) some trading co-operatives in which the shares are puttable at other than fair value.

The AASB has urged the IASB to accelerate its Liabilities/Equity research project with the aim of providing comparative treatment for substantially the same types of financial instrument.

A Regulatory Impact Statement has not been prepared in connection with the issue of this Standard as the amendments made do not have a substantial direct or indirect impact on business or competition, are of a minor or machinery nature or clarify existing requirements.