

**Accounting Standard**

**AASB 2009-5**  
May 2009

**Further Amendments to  
Australian Accounting  
Standards arising from the  
Annual Improvements  
Project**

**[AASB 5, 8, 101, 107, 117, 118, 136  
& 139]**



**Australian Government**

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**Australian Accounting  
Standards Board**

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Australian Accounting Standard AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* is set out in paragraphs 1 – 21. All the paragraphs have equal authority.

## PREFACE

### Standards Amended by AASB 2009-5

This Standard makes amendments to the following Australian Accounting Standards:

- 1 AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*;
- 2 AASB 8 *Operating Segments*;
- 3 AASB 101 *Presentation of Financial Statements*;
- 4 AASB 107 *Statement of Cash Flows*;
- 5 AASB 117 *Leases*;
- 6 AASB 118 *Revenue*;
- 7 AASB 136 *Impairment of Assets*; and
- 8 AASB 139 *Financial Instruments: Recognition and Measurement*;

as a consequence of the annual improvements project.

The amendments result from proposals that were included in Exposure Draft ED 165 *Proposed Improvements to Australian Accounting Standards* issued in August 2008 and proposals included in ED 159 *Proposed Improvements to Australian Accounting Standards* issued in October 2007, and follow the issuance of the IASB Standard *Improvements to IFRSs* in April 2009. The IASB's annual improvements project provides a vehicle for making non-urgent but necessary amendments to Standards.

### Main Features of this Standard

#### Application Date

This Standard is applicable to annual reporting periods beginning on or after 1 January 2010, with early adoption permitted for annual reporting periods beginning on or after 1 January 2005 but before 1 January 2010.

The insertion of early adoption conditions in the individual Standards means that the amendments to each of those Standards can be applied separately from the amendments to the other Standards, provided the early adoption conditions in the particular Standard are satisfied.

## Main Requirements

The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The subjects of the principal amendments to the Standards are set out below:

<b>Australian Accounting Standard</b>	<b>Subject of amendment</b>
<i>AASB 5 Non-current Assets Held for Sale and Discontinued Operations</i>	Disclosure of non-current assets (or disposal groups) classified as held for sale or discontinued operations
<i>AASB 8 Operating Segments</i>	Disclosure of information about segment assets
<i>AASB 101 Presentation of Financial Statements</i>	Current/non-current classification of convertible instruments
<i>AASB 107 Statement of Cash Flows</i>	Classification of expenditures on unrecognised assets
<i>AASB 117 Leases</i>	Classification of leases of land and buildings
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	Scope of exemption for business combination contracts
	Cash flow hedge accounting

## **ACCOUNTING STANDARD AASB 2009-5**

The Australian Accounting Standards Board makes Accounting Standard AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* under section 334 of the *Corporations Act 2001*.

Dated 21 May 2009

Bruce Porter  
Acting Chairman – AASB

## **ACCOUNTING STANDARD AASB 2009-5**

### ***FURTHER AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS ARISING FROM THE ANNUAL IMPROVEMENTS PROJECT***

#### **Objective**

- 1 The objective of this Standard is to make amendments to:
- (a) *AASB 5 Non-current Assets Held for Sale and Discontinued Operations;*
  - (b) *AASB 8 Operating Segments;*
  - (c) *AASB 101 Presentation of Financial Statements;*
  - (d) *AASB 107 Statement of Cash Flows;*
  - (e) *AASB 117 Leases;*
  - (f) *AASB 118 Revenue;*
  - (g) *AASB 136 Impairment of Assets;* and
  - (h) *AASB 139 Financial Instruments: Recognition and Measurement;*
- as a consequence of the annual improvements project.

## **Application**

- 2 In respect of AASB 101 and AASB 107, this Standard applies to:**
  - (a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act;**
  - (b) general purpose financial statements of each reporting entity; and**
  - (c) financial statements that are, or are held out to be, general purpose financial statements.**
- 3 Subject to paragraph 2, this Standard applies to:**
  - (a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;**
  - (b) general purpose financial statements of each other reporting entity; and**
  - (c) financial statements that are, or are held out to be, general purpose financial statements.**
- 4 This Standard applies to annual reporting periods beginning on or after 1 January 2010.**
- 5 This Standard may be applied to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2010.**
- 6 The insertion of early application conditions in the individual Standards means that the amendments to each of those Standards can be applied separately from the amendments to the other Standards provided the early application conditions in the particular Standard are satisfied.**
- 7 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.**

## Amendments to AASB 5

8 Paragraphs 5B and 44E are added:

5B This Standard specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. Disclosures in other Standards do not apply to such assets (or disposal groups) unless those Standards require:

- (a) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations; or
- (b) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of AASB 5 and such disclosures are not already provided in the other notes to the financial statements.

Additional disclosures about non-current assets (or disposal groups) classified as held for sale or discontinued operations may be necessary to comply with the general requirements of AASB 101, in particular paragraphs 15 and 125 of that Standard.

44E Paragraph 5B was added by AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* issued in May 2009. An entity shall apply that amendment prospectively for annual reporting periods beginning on or after 1 January 2010. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.

## Amendments to AASB 8

9 Paragraphs 23 and 36 are amended (new text is underlined and deleted text is struck through):

23 An entity shall report a measure of profit or loss ~~and total assets~~ for each reportable segment. An entity shall report a measure of total assets and liabilities for each reportable segment if such ~~an~~ amounts ~~is~~ are regularly provided to the chief operating decision maker. An entity shall also disclose the following about each reportable segment if the specified amounts are included in the measure of segment profit or loss reviewed by the chief operating decision maker, or are otherwise regularly provided to

the chief operating decision maker, even if not included in that measure of segment profit or loss:

- (a) revenues from external customers;
- (b) ...

36 Segment information for prior years that is reported as comparative information for the initial year of application (including application of the amendment to paragraph 23 made in May 2009) shall be restated to conform to the requirements of this Standard, unless the necessary information is not available and the cost to develop it would be excessive.

10 Paragraph 35A is added:

35A Paragraph 23 was amended by AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* issued in May 2009. An entity shall apply that amendment for annual reporting periods beginning on or after 1 January 2010. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.

## Amendments to AASB 101

11 Paragraph 69 is amended (new text is underlined and deleted text is struck through):

**69 An entity shall classify a liability as current when:**

- (a) **it expects to settle the liability in its normal operating cycle;**
- (b) **it holds the liability primarily for the purpose of trading;**
- (c) **the liability is due to be settled within twelve months after the ~~end of the~~ reporting period; or**
- (d) **the entity it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period (see paragraph 73). Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.**

**An entity shall classify all other liabilities as non-current.**

12 Paragraph 139D is added:

139D Paragraph 69 was amended by AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* issued in May 2009. An entity shall apply that amendment for annual reporting periods beginning on or after 1 January 2010. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.

### **Amendments to AASB 107**

13 Paragraph 16 is amended (new text is underlined):

16 The separate disclosure of cash flows arising from investing activities is important because the cash flows represent the extent to which expenditures have been made for resources intended to generate future income and cash flows. Only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities. Examples of cash flows arising from investing activities are:

(a) ...

14 Paragraph 56 is added:

56 Paragraph 16 was amended by AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* issued in May 2009. An entity shall apply that amendment for annual reporting periods beginning on or after 1 January 2010. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.

### **Amendments to AASB 117**

15 Paragraphs 14 and 15 are deleted (new text is underlined and deleted text is struck through):

14 [Deleted by the IASB] Leases of land and of buildings are classified as operating or finance leases in the same way as leases of other assets. However, a characteristic of land is that it normally has an indefinite economic life and, if title is not

~~expected to pass to the lessee by the end of the lease term, the lessee normally does not receive substantially all of the risks and rewards incidental to ownership in which case the lease of land will be an operating lease. A payment made on entering into or acquiring a leasehold that is accounted for as an operating lease represents prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.~~

- 15 ~~[Deleted by the IASB] The land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. If title to both elements is expected to pass to the lessee by the end of the lease term, both elements are classified as a finance lease, whether analysed as one lease or as two leases, unless it is clear from other features that the lease does not transfer substantially all risks and rewards incidental to ownership of one or both elements. When the land has an indefinite economic life, the land element is normally classified as an operating lease unless title is expected to pass to the lessee by the end of the lease term, in accordance with paragraph 14. The buildings element is classified as a finance or operating lease in accordance with paragraphs 7–13.~~

16 Paragraphs 15A, 68A and 69A are added:

- 15A 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 paragraphs 7-13. In determining whether the land element is an operating or a finance lease, an important consideration is that land normally has an indefinite economic life.

**68A An entity shall reassess the classification of land elements of unexpired leases at the date it adopts the amendments referred to in paragraph 69A on the basis of information existing at the inception of those leases. It shall recognise a lease newly classified as a finance lease retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. However, if an entity does not have the information necessary to apply the amendments retrospectively, it shall:**

- (a) **apply the amendments to those leases on the basis of the facts and circumstances existing on the date it adopts the amendments; and**
- (b) **recognise the asset and liability related to a land lease newly classified as a finance lease at their fair values**

**on that date; any difference between those fair values is recognised in retained earnings.**

- 69A Paragraphs 14 and 15 were deleted, and paragraphs 15A and 68A were added as part of AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* issued in May 2009. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2010. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact.

## **Amendment to AASB 118**

- 17 A heading “Recognition and Measurement” and Example 21 are added after Example 20 in the Appendix accompanying AASB 118 as follows. This amendment has no explicit application date.

### **Recognition and Measurement**

21. *Determining whether an entity is acting as a principal or as an agent (2009 amendment)*

Paragraph 8 states that ‘in an agency relationship, the gross inflows of economic benefits include amounts collected on behalf of the principal and which do not result in increases in equity for the entity. The amounts collected on behalf of the principal are not revenue. Instead, revenue is the amount of commission.’ Determining whether an entity is acting as a principal or as an agent requires judgement and consideration of all relevant facts and circumstances.

An entity is acting as a principal when it has exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. Features that indicate that an entity is acting as a principal include:

- (a) the entity has the primary responsibility for providing the goods or services to the customer or for fulfilling the order, for example by being responsible for the acceptability of the products or services ordered or purchased by the customer;
- (b) the entity has inventory risk before or after the customer order, during shipping or on return;

- (c) the entity has latitude in establishing prices, either directly or indirectly, for example by providing additional goods or services; and
- (d) the entity bears the customer's credit risk for the amount receivable from the customer.

An entity is acting as an agent when it does not have exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. One feature indicating that an entity is acting as an agent is that the amount the entity earns is predetermined, being either a fixed fee per transaction or a stated percentage of the amount billed to the customer.

## Amendments to AASB 136

18 Paragraph 80 is amended (new text is underlined and deleted text is struck through):

**80 For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated shall:**

- (a) **represent the lowest level within the entity at which the goodwill is monitored for internal management purposes; and**
- (b) **not be larger than an operating segment ~~determined in accordance with~~ as defined by paragraph 5 of AASB 8 Operating Segments before aggregation.**

19 Paragraph 140E is added:

140E AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*, issued in May 2009, amended paragraph 80(b). An entity shall apply that amendment prospectively for annual reporting periods beginning on or after 1 January 2010. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.

## Amendments to AASB 139

- 20 Paragraphs 2(g), 80, 97, 100, 108C and AG30 are amended (new text is underlined and deleted text is struck through):
- 2 This Standard shall be applied by all entities to all types of financial instruments except:**
- (a) ...
- (g) **any forward contracts between an acquirer and a vendor in a business combination selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date. The term of the forward contract should not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction;**
- (h) ...
- 80 For hedge accounting purposes, only assets, liabilities, firm commitments or highly probable forecast transactions that involve a party external to the entity can be designated as hedged items. It follows that hedge accounting can be applied to transactions between entities ~~or segments~~ in the same group only in the individual or separate financial statements of those entities ~~or segments~~ and not in the consolidated financial statements of the group. As an exception ...
- 97 If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in other comprehensive income in accordance with paragraph 95 shall be reclassified from equity to profit or loss as a reclassification adjustment (see AASB 101 (as revised in 2007)) in the same period or periods during which the hedged forecast cash flows ~~asset acquired or liability assumed~~ affects profit or loss (such as in the periods that interest income or interest expense is recognised). However, if an entity expects that all or a portion of a loss recognised in other comprehensive income will not be recovered in one or more future periods, it shall reclassify into profit or loss as a reclassification adjustment the amount that is not expected to be recovered.**

**100 For cash flow hedges other than those covered by paragraphs 97 and 98, amounts that had been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment (see AASB 101 (revised 2007)) in the same period or periods during which the hedged forecast cash flows transaction affects profit or loss (for example, when a forecast sale occurs).**

108C Paragraphs 9, 73 and AG8 were amended and paragraph 50A added by AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* issued in July 2008. Paragraph 80 was amended by AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* issued in May 2009. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2009. An entity shall apply the amendments in paragraphs 9 and 50A as of the date and in the manner it applied the 2005 amendments described in paragraph 105A. Earlier application of all the amendments is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact.

AG30 The economic characteristics and risks of an embedded derivative are not closely related to the host contract (paragraph 11(a)) in the following examples. In these examples, assuming the conditions in paragraph 11(b) and (c) are met, an entity accounts for the embedded derivative separately from the host contract.

...

- (g) A call, put, or prepayment option embedded in a host debt contract or host insurance contract is not closely related to the host contract unless:
- (i) the option's exercise price is approximately equal on each exercise date to the amortised cost of the host debt instrument or the carrying amount of the host insurance contract; or-
  - (ii) the exercise price of a prepayment option reimburses the lender for an amount up to the approximate present value of lost interest for the remaining term of the host contract. Lost interest is the product of the principal amount prepaid multiplied by the interest rate differential. The

interest rate differential is the excess of the effective interest rate of the host contract over the effective interest rate the entity would receive at the prepayment date if it reinvested the principal amount prepaid in a similar contract for the remaining term of the host contract.

~~From the perspective of the issuer of a convertible debt instrument with an embedded call or put option feature, the assessment of whether the call or put option is closely related to the host debt contract is made before separating the equity element of a convertible debt instrument in accordance with under AASB 132.~~

(h) ...

21 Paragraph 103K is added:

103K AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*, issued in May 2009, amended paragraphs 2(g), 97, 100 and AG30(g). An entity shall apply the amendments to paragraphs 2(g), 97 and 100 prospectively to all unexpired contracts for annual reporting periods beginning on or after 1 January 2010. An entity shall apply the amendment to paragraph AG30(g) for annual reporting periods beginning on or after 1 January 2010. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.