AASB Standard

AASB 2009-11
December 2009

Amendments to Australian Accounting Standards arising from AASB 9

[AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]

Australian Government

Australian Accounting Standards Board

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Australian Accounting Standard AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* is set out in paragraphs 1 – 61. All the paragraphs have equal authority.

PREFACE

Standards Amended by AASB 2009-11

This Standard makes amendments to the following Australian Accounting Standards and Interpretations:

1. AASB 1 *First-time Adoption of Australian Accounting Standards*;
2. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*
3. AASB 3 *Business Combinations*;
4. AASB 4 *Insurance Contracts*;
5. AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*;
6. AASB 7 *Financial Instruments: Disclosures*;
7. AASB 101 *Presentation of Financial Statements*;
8. AASB 102 *Inventories*;
9. AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*;
10. AASB 112 *Income Taxes*;
11. AASB 118 *Revenue*;
12. AASB 121 *The Effects of Changes in Foreign Exchange Rates*;
13. AASB 127 *Consolidated and Separate Financial Statements*;
14. AASB 128 *Investments in Associates*;
15. AASB 131 *Interests in Joint Ventures*;
16. AASB 132 *Financial Instruments: Presentation*;
17. AASB 136 *Impairment of Assets*;
18. AASB 139 *Financial Instruments: Recognition and Measurement*;

19. AASB 1023 *General Insurance Contracts*;

20. AASB 1038 *Life Insurance Contracts*;

21. Interpretation 10 *Interim Financial Reporting and Impairment*; and

22. Interpretation 12 *Service Concession Arrangements*.

These amendments arise from the issuance of AASB 9 *Financial Instruments* that sets out requirements for the classification and measurement of financial assets. The requirements in AASB 9 form part of the first phase of the International Accounting Standards Board's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*.

Main features of this Standard

Application Date

This Standard applies to annual reporting periods beginning on or after 1 January 2013. This Standard shall be applied when AASB 9 is applied. This Standard may be applied to annual reporting periods ending on or after 31 December 2009 that begin before 1 January 2013 provided AASB 9 is also applied for the same period. When an entity applies this Standard to such an annual reporting period, it shall disclose that fact.

Main Requirements

This Standard gives effect to consequential changes arising from the issuance of AASB 9. The Preface to AASB 9 summarises the main requirements of that Standard.

ACCOUNTING STANDARD AASB 2009-11

The Australian Accounting Standards Board makes Accounting Standard AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* under section 334 of the *Corporations Act 2001*.

Kevin M. Stevenson
Dated 7 December 2009 Chair – AASB

ACCOUNTING STANDARD AASB 2009-11

AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS ARISING FROM AASB 9

Objective

1 The objective of this Standard is to make amendments to:

(a) AASB 1 *First-time Adoption of Australian Accounting Standards*;

(b) AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*;

(c) AASB 3 *Business Combinations*;

(d) AASB 4 *Insurance Contracts*;

(e) AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*;

(f) AASB 7 *Financial Instruments: Disclosures*;

(g) AASB 101 *Presentation of Financial Statements*;

(h) AASB 102 *Inventories;*

(i) AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*;

(j) AASB 112 *Income Taxes*;

(k) AASB 118 *Revenue*;

(l) AASB 121 *The Effects of Changes in Foreign Exchange Rates*;

(m) AASB 127 *Consolidated and Separate Financial Statements*;

(n) AASB 128 *Investments in Associates*;

(o) AASB 131 *Interests in Joint Ventures*;

(p) AASB 132 *Financial Instruments: Presentation*;

(q) AASB 136 *Impairment of Assets*;

(r) AASB 139 *Financial Instruments: Recognition and Measurement*;

(s) AASB 1023 *General Insurance Contracts*;

(t) AASB 1038 *Life Insurance Contracts*;

(u) Interpretation 10 *Interim Financial Reporting and Impairment*; and

(v) Interpretation 12 *Service Concession Arrangements*;

as a consequence of the issuance of AASB 9 *Financial Instruments* in December 2009.

Application

2 **In respect of AASB 1, AASB 3, AASB 4, AASB 5, AASB 7, AASB 102, AASB 112, AASB 118, AASB 121, AASB 127, AASB 128, AASB 131, AASB 132, AASB 136, AASB 139 & AASB 1023 and Interpretations 10 & 12, 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.

3 In respect of AASB 1038, this Standard applies to each entity that is:

(a) a *life insurer*; or

(b) the parent in a group that includes a life insurer;

when the entity:

(c) is a reporting entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act;

(d) is an other reporting entity and prepares general purpose financial reports; or

(e) prepares financial reports that are, or are held out to be, general purpose financial reports.

4 In respect of AASB 101 and AASB 108, this Standard applies to:

(a) each entity that is required to prepare financial statements 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.

5 This Standard applies to annual reporting periods beginning on or after 1 January 2013.

6 This Standard shall be applied when AASB 9 is applied. This Standard may be applied to annual reporting periods ending on or after 31 December 2009 that begin before 1 January 2013 provided AASB 9 is also applied for the same period. When an entity applies this Standard to such an annual reporting period, it shall disclose that fact.

7 This Standard uses underlining, striking out and other typographical material to identify some of the amendments to a Standard or Interpretation, 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 1

AASB 1 (May 2009, as amended)

8 Paragraph 29 is amended and paragraphs 29A and 39B are added as follows:

29 An entity is permitted to designate a previously recognised financial asset ~~or financial liability~~ as a financial asset ~~or financial liability at~~ measured at fair value through profit or loss ~~or a financial asset as available for sale~~ in accordance with paragraph D19A. The entity shall disclose the fair value of financial assets ~~or financial liabilities~~ so designated ~~into each category~~ at the date of designation and their classification and carrying amount in the previous financial statements.

29A An entity is permitted to designate a previously recognised financial liability as a financial liability at fair value through profit or loss in accordance with paragraph D19. The entity shall disclose the fair value of financial liabilities so designated at the date of designation and their classification and carrying amount in the previous financial statements.

39B AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, issued in December 2009, amended paragraphs 29, B1 and D19, added paragraphs 29A, B8, D19A-D19C, E1 and E2. An entity shall apply those amendments when it applies AASB 9 *Financial Instruments*.

9 In Appendix B, paragraph B1 is amended, and a heading and paragraph B8 are added as follows:

B1 An entity shall apply the following exceptions:

(a) derecognition of financial assets and financial liabilities (paragraphs B2 and B3);

(b) hedge accounting (paragraphs B4-B6);~~, and~~

(c) non-controlling interests (paragraph B7)~~.~~; and

(d) classification and measurement of financial assets (paragraph B8).

Classification and measurement of financial assets

B8 An entity shall assess whether a financial asset meets the conditions in paragraph 4.2 of AASB 9 on the basis of the facts and circumstances that exist at the date of transition to Australian Accounting Standards.

10 In Appendix D (Exemptions from other Australian Accounting Standards), paragraph D19 is amended and paragraphs D19A-D19C are added as follows:

D19 AASB 139 permits a financial liability ~~asset to be designated on initial recognition as available for sale or a financial instrument~~ (provided it meets certain criteria) to be designated as a ~~financial asset or~~ financial liability at fair value through profit or loss. Despite this requirement ~~exceptions apply in the following circumstances:~~

~~(a)~~ ~~an entity is permitted to make an available-for-sale designation at the date of transition to Australian Accounting Standards.~~

~~(b)~~ an entity is permitted to designate, at the date of transition to Australian Accounting Standards, any ~~financial asset or~~ financial liability as at fair value through profit or loss provided the ~~asset or~~ liability meets the criteria in paragraph 9(b)(i), 9(b)(ii) or 11A of AASB 139 at that date.

D19A An entity may designate a financial asset as measured at fair value through profit or loss in accordance with paragraph 4.5 of AASB 9 on the basis of the facts and circumstances that exist at the date of transition to Australian Accounting Standards.

D19B An entity may designate an investment in an equity instrument as at fair value through other comprehensive income in accordance with paragraph 5.4.4 of AASB 9 on the basis of the facts and circumstances that exist at the date of transition to Australian Accounting Standards.

D19C If it is impracticable (as defined in AASB 108) for an entity to apply retrospectively the effective interest method or the impairment requirements in paragraphs 58-65 and AG84-AG93 of AASB 139, the fair value of the financial asset at the date of transition to Australian Accounting Standards shall be the new amortised cost of that financial asset at the date of transition to Australian Accounting Standards.

11 In Appendix E (Short-term exemptions from Australian Accounting Standards), a heading and paragraphs E1 and E2 are added as follows:

Exemption from the requirement to restate comparative information for AASB 9

E1 In its first Australian-Accounting-Standards financial statements, an entity that (a) adopts Australian Accounting Standards for annual periods beginning before 1 January 2012 and (b) applies AASB 9 shall present at least one year of comparative information. However, this comparative information need not comply with AASB 9 or AASB 7, to the extent that the disclosures required by AASB 7 relate to assets within the scope of AASB 9. For such entities, references to the 'date of transition to Australian Accounting Standards' shall mean, in the case of AASB 9 and AASB 7 only, the beginning of the first Australian-Accounting-Standards reporting period.

E2 An entity that chooses to present comparative information that does not comply with AASB 9 and AASB 7 in its first year of transition shall:

(a) apply the recognition and measurement requirements of its previous GAAP in place of the requirements of AASB 139 and AASB 9 to comparative information about assets within the scope of AASB 9.

(b) disclose this fact together with the basis used to prepare this information.

(c) treat any adjustment between the statement of financial position at the comparative period's reporting date (i.e. the statement of financial position that includes comparative information under previous GAAP) and the statement of financial position at the start of the first Australian-Accounting-Standards reporting period (i.e. the first period that includes information that complies with AASB 9 and AASB 7) as arising from a change in accounting policy and give the disclosures required by paragraph 28(a)-(e) and (f)(i) of AASB 108. Paragraph 28(f)(i) applies only to amounts presented in the statement of financial position at the comparative period's reporting date.

(d) apply paragraph 17(c) of AASB 101 to provide additional disclosures when compliance with the specific requirements in Australian Accounting Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

AASB 1 (July 2004, as amended)

12 Paragraphs 25A, 26 and 43A are amended and paragraph 25AA, a heading and paragraphs 34D-34G, a heading above paragraph 36D and paragraphs 36D, 36E and 47M are added.

25A AASB 139 permits a financial ~~asset~~ <u>liability</u> to be designated on initial recognition as ~~available for sale or a financial instrument (provided it meets certain criteria) to be designated as~~ a ~~financial asset or~~ financial liability at fair value through profit or loss <u>provided it meets certain criteria</u>. Despite this requirement<u>, a first-time adopter of Australian Accounting Standards</u> ~~exceptions apply in the following circumstances,~~

~~(a)~~ ~~any entity is permitted to make an available-for-sale designation at the date of transition to Australian equivalents to IFRSs.~~

~~(b)~~ ~~an entity that presents its first Australian-equivalents-to-IFRSs financial statements for an annual period beginning on or after 1 September 2006 – such an entity~~ is permitted to designate, at the date of transition to Australian equivalents to IFRSs, any ~~financial asset or~~ financial liability as at fair value through profit or loss provided the ~~asset or~~ liability meets the criteria in paragraph 9(b)(i), 9(b)(ii) or 11A of AASB 139 at that date.

~~(c)~~ ~~an entity that presents~~ ...

~~(e)~~ ... ~~at the same time they are designated as at fair value through profit or loss.~~

25AA AASB 9 *Financial Instruments* permits a financial asset to be designated on initial recognition as a financial asset measured at fair value through profit or loss provided that the financial asset meets the criterion in paragraph 4.5 of AASB 9. Despite this requirement, a first-time adopter of Australian equivalents to IFRSs is permitted to designate, at the date of transition to Australian equivalents to IFRSs, any financial asset as measured at fair value through profit or loss provided the asset meets the criterion in paragraph 4.5 of AASB 9 at that date.

26 This Standard prohibits retrospective application of some aspects of other Australian equivalents to IFRSs relating to:

(a) …

(d) assets classified as held for sale and discontinued operations (paragraphs 34A and 34B); ~~and~~

(e) some aspects of accounting for non-controlling interests (paragraph 34C)~~.~~; and

(f) classification and measurement of financial assets (paragraphs 34D-34G).

Classification and measurement of financial assets

34D An entity shall assess whether a financial asset meets the conditions in paragraph 4.2 of AASB 9 on the basis of the facts and circumstances that exist at the date of transition to Australian equivalents to IFRSs.

34E An entity may designate a financial asset as measured at fair value through profit or loss in accordance with paragraph 4.5 of AASB 9 on the basis of the facts and circumstances that exist at the date of transition to Australian equivalents to IFRSs.

34F An entity may designate an investment in an equity instrument as at fair value through other comprehensive income in accordance with paragraph 5.4.4 of AASB 9 on the basis of the facts and circumstances that exist at the date of transition to Australian equivalents to IFRSs.

34G If it is impracticable (as defined in AASB 108) for an entity to apply retrospectively the effective interest method or the impairment requirements in paragraphs 58-65 and AG84-AG93 of AASB 139, the fair value of the financial asset at the date of transition to IFRSs shall be the new amortised cost of that financial asset at the date of transition to Australian equivalents to IFRSs.

Exemption from the requirement to restate comparative information for AASB 9

36D In its first Australian-equivalents-to-IFRSs financial statements, an entity that (a) adopts Australian equivalents to IFRSs for annual periods beginning before 1 January 2012 and (b) applies AASB 9 shall present at least one year of comparative information. However, this comparative information need not comply with AASB 9 or AASB 7, to the extent that the disclosures required by AASB 7 relate to assets within the scope of AASB 9. For such entities, references to the 'date of transition to Australian equivalents to IFRSs' shall mean, in the case of AASB 9 and AASB 7 only, the beginning of the first Australian-equivalents-to-IFRSs reporting period.

36E An entity that chooses to present comparative information that does not comply with AASB 9 and AASB 7 in its first year of transition shall:

(a) apply the recognition and measurement requirements of its previous GAAP in place of the requirements of AASB 139 and AASB 9 to comparative information about assets within the scope of AASB 9.

(b) disclose this fact together with the basis used to prepare this information.

(c) treat any adjustment between the statement of financial position at the comparative period's reporting date (i.e. the statement of financial position that includes comparative information under previous GAAP) and the statement of financial position at the start of the first Australian-equivalents-to-IFRSs reporting period (i.e. the first period that includes information that complies with AASB 9 and AASB 7) as arising from a change in accounting policy and give the disclosures required by paragraph 28(a)-(e) and (f)(i) of AASB 108. Paragraph 28(f)(i) applies only to amounts presented in the statement of financial position at the comparative period's reporting date.

(d) apply paragraph 17(c) of AASB 101 to provide additional disclosures when compliance with the specific requirements in Australian equivalents to IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

43A An entity is permitted to designate a previously recognised financial asset ~~or financial liability as a financial asset or financial liability~~ as measured at fair value through profit or loss in accordance with paragraph 25AA or a previously recognised financial liability as a financial liability at fair value through profit or loss ~~or a financial asset as available for sale~~ in accordance with paragraph 25A. The entity shall disclose the fair value of financial assets or financial liabilities so designated ~~into each category~~ at the date of designation and their classification and carrying amount in the previous financial statements.

47M AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, issued in December 2009, amended paragraphs 25A, 26 and 43A and added paragraphs 25AA, 34D–34G, 36D and 36E. An entity shall apply those amendments when it applies AASB 9.

Amendments to AASB 3

AASB 3 (March 2008, as amended)

13 Paragraphs 16, 42 and 58 are amended and paragraph 64A is added as follows:

16 In some situations, Australian Accounting Standards provide for different accounting depending on how an entity classifies or designates a particular asset or liability. Examples of classifications or designations that the acquirer shall make on the basis of the pertinent conditions as they exist at the acquisition date include but are not limited to:

(a) classification of particular financial assets and liabilities as measured ~~a financial asset or liability~~ at fair value ~~through profit or loss,~~ or at amortised cost ~~as a financial asset available for sale or held to maturity~~, in accordance with AASB 9 *Financial Instruments* and AASB 139 *Financial Instruments: Recognition and Measurement*;

(b) designation of a derivative instrument as a hedging instrument in accordance with AASB 139; and

(c) assessment of whether an embedded derivative should be separated from ~~the~~ a host contract outside the scope of AASB 9 in accordance with AASB 139 (which is a matter of ‘classification’ as this Standard uses that term).

42 In a business combination achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate. In prior reporting periods, the acquirer may have recognised changes in the value of its equity interest in the acquiree in other comprehensive income ~~(for example, because the investment was classified as available for sale)~~. If so, the amount that was recognised in other comprehensive income shall be recognised on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

58 ...

(b) Contingent consideration classified as an asset or a liability that:

(i) is a financial instrument and is within the scope of AASB 9 or AASB 139 shall be measured at fair value, with any resulting gain or loss recognised either in profit or loss or in other comprehensive income in accordance with ~~that Standard~~ AASB 9 or AASB 139 as applicable.

(ii) is not within the scope of AASB 9 or AASB 139 shall be accounted for in accordance with AASB 137 or other Australian Accounting Standards as appropriate.

64A AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, issued in December 2009, amended paragraphs 16, 42 and 58. An entity shall apply those amendments when it applies AASB 9.

Amendments to AASB 4

14 Paragraphs 3 and 45 are amended and paragraph 41C is added as follows:

3 This Standard does not address other aspects of accounting by insurers, such as accounting for financial assets held by insurers and financial liabilities issued by insurers (see AASB 132 *Financial Instruments: Presentation*, AASB 139 *Financial Instruments: Recognition and Measurement*, ~~and~~ AASB 7 and

AASB 9 *Financial Instruments*), except in the transitional provisions in paragraph 45.

45 Notwithstanding paragraph 4.9 of AASB 9, w~~W~~hen an insurer changes its accounting policies for insurance liabilities, it is permitted, but not required, to reclassify some or all of its financial assets as measured ~~‘~~at fair value ~~through profit or loss’~~. This reclassification is permitted if an insurer changes accounting policies when it first applies this Standard and if it makes a subsequent policy change permitted by paragraph 22. The reclassification is a change in accounting policy and AASB 108 applies.

41C AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, issued in December 2009, amended paragraphs 3 and 45. An entity shall apply those amendments when it applies AASB 9.

Amendments to AASB 5

15 In paragraph 5(c), the reference to ‘AASB 139 *Financial Instruments: Recognition and Measurement*’ is replaced with ‘AASB 9 *Financial Instruments*’.

Amendments to AASB 7

16 In paragraph 4 the references to ‘AASB 139’ and in paragraph 5 the first reference to ‘AASB 139’ are replaced with ‘AASB 139 and AASB 9’.

17 A heading and paragraphs 11A, 11B, 12B-12D, 20A and 44H-44J are added, paragraphs 12 and 12A are deleted and paragraphs 2, 3, 8, 9, 20, 29 and 30 are amended as follows:

2 The principles in this Standard complement the principles for recognising, measuring and presenting financial assets and financial liabilities in AASB 132 *Financial Instruments: Presentation* , ~~and~~ AASB 139 *Financial Instruments: Recognition and Measurement* and AASB 9 *Financial Instruments*.

3 This Standard shall be applied by all entities to all types of financial instruments, except:

(a) those interests in subsidiaries, associates or joint ventures that are accounted for in accordance with AASB 127

Consolidated and Separate Financial Statements, AASB 128 *Investments in Associates* or AASB 131 *Interests in Joint Ventures*. However, in some cases, AASB 127, AASB 128 or AASB 131 permits an entity to account for an interest in a subsidiary, associate or joint venture using AASB 139 <u>and AASB 9</u>; in those cases, entities shall apply the requirements of this Standard. Entities shall also apply this Standard to all derivatives linked to interests in subsidiaries, associates or joint ventures unless the derivative meets the definition of an equity instrument in AASB 132.

8 The carrying amounts of each of the following categories, as <u>specified</u> ~~defined~~ in <u>AASB 9 or</u> AASB 139, shall be disclosed either in the statement of financial position or in the notes:

(a) financial assets <u>measured</u> at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition and (ii) those <u>mandatorily</u> ~~classified as~~ <u>measured at fair value</u> ~~held for trading~~ in accordance with <u>AASB 9</u> ~~AASB 139;~~<u>.</u>

(b)<u>-(d)[deleted by the IASB]</u>

~~(b)~~ ~~held-to-maturity investments;~~

~~(c)~~ ~~loans and receivables;~~

~~(d)~~ ~~available-for-sale financial assets;~~

(e) financial liabilities at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition and (ii) those <u>that meet the definition of</u> ~~classified as~~ held for trading in ~~accordance with~~ AASB 139~~; and~~<u>.</u>

(f) financial <u>assets</u> ~~liabilities~~ measured at amortised cost.

<u>(g)</u> <u>financial liabilities measured at amortised cost.</u>

<u>(h)</u> <u>financial assets measured at fair value through other comprehensive income.</u>

9 If the entity has designated ~~a loan or receivable (or group of loans or receivables)~~ as measured at fair value ~~through profit or loss~~ a financial asset (or group of financial assets) that would otherwise be measured at amortised cost, it shall disclose:

(a) the maximum exposure to *credit risk* (see paragraph 36(a)) of the ~~loan or receivable~~ financial asset (or group of ~~loans or receivables~~ financial assets) at the end of the reporting period;

(b) the amount by which any related credit derivatives or similar instruments mitigate that maximum exposure to credit risk;

(c) the amount of change, during the period and cumulatively, in the fair value of the ~~loan or receivable~~ financial asset (or group of ~~loans or receivables~~ financial assets) that is attributable to changes in the credit risk of the financial asset determined either:

...

(d) the amount of the change in the fair value of any related credit derivatives or similar instruments that has occurred during the period and cumulatively since the ~~loan or receivable~~ financial asset was designated.

...

Financial assets measured at fair value through other comprehensive income

11A If an entity has designated investments in equity instruments to be measured at fair value through other comprehensive income, as permitted by paragraph 5.4.4 of AASB 9, it shall disclose:

(a) which investments in equity instruments have been designated to be measured at fair value through other comprehensive income.

(b) the reasons for using this presentation alternative.

(c) the fair value of each such investment at the end of the reporting period.

(d) dividends recognised during the period, showing separately those related to investments derecognised during the reporting period and those related to investments held at the end of the reporting period.

(e) any transfers of the cumulative gain or loss within equity during the period including the reason for such transfers.

11B If an entity derecognised investments in equity instruments measured at fair value through other comprehensive income during the reporting period, it shall disclose:

(a) the reasons for disposing of the investments.

(b) the fair value of the investments at the date of derecognition.

(c) the cumulative gain or loss on disposal.

12B An entity shall disclose if, in the current or previous reporting periods, it has reclassified any financial assets in accordance with paragraph 4.9 of AASB 9. For each such event, an entity shall disclose:

(a) the date of reclassification.

(b) a detailed explanation of the change in business model and a qualitative description of its effect on the entity's financial statements.

(c) the cumulative amount reclassified into and out of each category.

12C For each reporting period following reclassification until derecognition, an entity shall disclose for assets reclassified so that they are measured at amortised cost in accordance with paragraph 4.9 of AASB 9:

(a) the effective interest rate determined on the date of reclassification; and

(b) the interest income or expense recognised.

12D If an entity has reclassified financial assets so that they are measured at amortised cost since its last annual reporting date, it shall disclose:

(a) the fair value of the financial assets at the end of the reporting period; and

(b) the fair value gain or loss that would have been recognised in profit or loss during the reporting period if the financial assets had not been reclassified.

20 An entity shall disclose the following items of income, expense, gains or losses either in the statement of comprehensive income or in the notes:

(a) net gains or net losses on:

(i) financial assets ~~or financial liabilities~~ measured at fair value through profit or loss, showing separately those on financial assets ~~or financial liabilities~~ designated as such upon initial recognition, and those ~~on financial assets or financial liabilities~~ that are mandatorily measured at fair value ~~classified as held for trading~~ in accordance with AASB 9 ~~AASB 139;~~;

(ii)-(iv) [deleted by the IASB]

~~(ii) available-for-sale financial assets, showing separately the amount of gain or loss recognised in other comprehensive income during the period and the amount reclassified from equity to profit or loss for the period;~~

~~(iii) held-to-maturity investments;~~

~~(iv) loans and receivables; and~~

(v) financial liabilities ~~measured at amortised cost~~ at fair value through profit or loss, showing separately those on financial liabilities designated as such upon initial recognition, and those on financial liabilities that meet the definition of held for trading in AASB 139;

(vi) financial assets measured at amortised cost;

(vii) financial liabilities measured at amortised cost; and

(viii) financial assets measured at fair value through other comprehensive income.

(b) total interest income and total interest expense (calculated using the effective interest method) for financial assets ~~or financial liabilities~~ that are measured at amortised cost or financial liabilities not at fair value through profit or loss;

(c) fee income and expense (other than amounts included in determining the effective interest rate) arising from:

(i) financial assets ~~or financial liabilities~~ measured at amortised cost or financial liabilities that are not at fair value through profit or loss; and

(ii) trust and other fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans, and other institutions;

(d) ...

20A An entity shall disclose an analysis of the gain or loss recognised in the statement of comprehensive income arising from the derecognition of financial assets measured at amortised cost, showing separately gains and losses arising from derecognition of those financial assets. This disclosure shall include the reasons for derecognising those financial assets.

29 Disclosures of fair value are not required:

(a) when the carrying amount is a reasonable approximation of fair value, for example, for financial instruments such as short-term trade receivables and payables;

(b) for ~~an investment in equity instruments that do not have a quoted market price in an active market, or~~ derivatives linked to investments in equity instruments that do not have a quoted market price in an active market that are ~~such equity instruments, that is~~ measured at cost in accordance with AASB 139 because ~~its~~ their fair value cannot be measured reliably; or

(c) for a contract containing a discretionary participation feature (as described in AASB 4) if the fair value of that feature cannot be measured reliably.

30 In the cases described in paragraph 29(b) and (c), an entity shall disclose information to help users of the financial statements make their own judgements about the extent of possible differences between the carrying amount of those ~~financial assets or financial liabilities~~ contracts and their fair value, including:

(a) ...

44H AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, issued in December 2009, amended paragraphs 2,3, 8, 9, 20, 29 and 30, added paragraphs 11A, 11B, 12B-12D and 20A and deleted paragraphs 12 and 12A. It also amended the last paragraph of Appendix A (Defined terms) and paragraphs B1, B5, B10, B22 and B27, and deleted Appendix D (Amendments to AASB 7 if AASB 2005-4 *Amendments to Australian Accounting Standards* (relating to the fair value option) has not been applied). An entity shall apply those amendments when it applies AASB 9.

44I When an entity first applies AASB 9, it shall disclose for each class of financial assets at the date of initial application:

(a) the original measurement category and carrying amount determined in accordance with AASB 139;

(b) the new measurement category and carrying amount determined in accordance with AASB 9;

(c) the amount of any financial assets in the statement of financial position that were previously designated as measured at fair value through profit or loss but are no longer so designated, distinguishing between those that AASB 9 requires an entity to reclassify and those that an entity elects to reclassify.

An entity shall present these quantitative disclosures in tabular format unless another format is more appropriate.

44J When an entity first applies AASB 9, it shall disclose qualitative information to enable users to understand:

(a) how it applied the classification requirements in AASB 9 to those financial assets whose classification has changed as a result of applying AASB 9.

(b) the reasons for any designation or de-designation of financial assets or financial liabilities as measured at fair value through profit or loss.

18 In Appendix A (Defined terms), the last paragraph is amended as follows:

The following terms are defined in paragraph 11 of AASB 132 or paragraph 9 of AASB 139 and are used in this Standard with the meaning specified in AASB 132 and AASB 139.

(a) amortised cost of a financial asset or financial liability

~~(b) available-for-sale financial assets~~

<u>(b)</u>~~(c)~~ derecognition

<u>(c)</u>~~(d)~~ derivative

<u>(d)</u>~~(e)~~ effective interest method

<u>(e)</u>~~(f)~~ equity instrument

<u>(f)</u>~~(g)~~ fair value

<u>(g)</u>~~(h)~~ financial asset

<u>(h)</u>~~(i)~~ ~~financial asset or~~ financial liability at fair value through profit or loss

~~(j) financial asset or financial liability held for trading~~

<u>(i)</u>~~(k)~~ financial guarantee contract

<u>(j)</u>~~(l)~~ financial instrument

<u>(k)</u>~~(m)~~ financial liability

<u>(l)</u>~~(n)~~ forecast transaction

(m)~~(o)~~ hedging instrument

(n)~~(p)~~ held for trading

~~(p)~~ ~~held-to-maturity instruments~~

~~(q)~~ ~~loans and receivables~~

(o)~~(r)~~ regular way purchase or sale

19 In Appendix B (Application guidance), paragraphs B1, B5, B10, B22 and B27 are amended as follows:

B1 Paragraph 6 requires an entity to group financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. The classes described in paragraph 6 are determined by the entity and are, thus, distinct from the categories of financial instruments specified in AASB 139 and AASB 9 (which determine how financial instruments are measured and where changes in fair value are recognised).

B5 Paragraph 21 requires disclosure of the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements. For financial instruments, such disclosure may include:

(a) for ~~financial assets or~~ financial liabilities designated as at fair value through profit or loss:

(i) the nature of the ~~financial assets or~~ financial liabilities the entity has designated as at fair value through profit or loss;

(ii) the criteria for so designating such ~~financial assets or~~ financial liabilities on initial recognition; and

(iii) how the entity has satisfied the conditions in paragraph 9, 11A or 12 of AASB 139 for such designation. For instruments designated in accordance with paragraph (b)(i) of the definition of a ~~financial asset or~~ financial liability at fair value through profit or loss in AASB 139, that disclosure includes a narrative description of the circumstances underlying the measurement or recognition inconsistency that would otherwise arise. For instruments designated in accordance with paragraph (b)(ii) of the definition of a ~~financial asset or~~ financial liability at fair value through profit or loss in AASB 139, that disclosure includes a narrative description of how designation at fair value through profit or loss is consistent with the entity's documented risk management or investment strategy.

(aa) for financial assets designated as measured at fair value through profit or loss:

(i) the nature of the financial assets the entity has designated as measured at fair value through profit or loss;

(ii) how the entity has satisfied the criteria in paragraph 4.5 of AASB 9 for such designation.

(b) [deleted by the IASB] ~~the criteria for designating financial assets as available for sale~~.

(c) ...

B10 Activities that give rise to credit risk and the associated maximum exposure to credit risk include, but are not limited to:

(a) granting loans ~~and receivables~~ to customers and placing deposits with other entities. In these cases, the maximum exposure to credit risk is the carrying amount of the related financial assets.

(b) ...

B22 *Interest rate risk* arises on interest-bearing financial instruments recognised in the statement of financial position (e.g. ~~loans and receivables and~~ debt instruments acquired or issued) and on some financial instruments not recognised in the statement of financial position (e.g. some loan commitments).

B27 In accordance with paragraph 40(a), the sensitivity of profit or loss (that arises, ~~e.g.~~ for example, from instruments measured ~~classified as~~ at fair value through profit or loss ~~and impairments of available-for-sale financial assets~~) is disclosed separately from the sensitivity of other comprehensive income ~~equity (~~that arises, ~~e.g.~~ for example, from investments in equity instruments whose changes in fair value are presented in other comprehensive income ~~classified as available-for-sale)~~.

20 Appendix D (Amendments to AASB 7 if AASB 2005-4 *Amendments to Australian Accounting Standards* (relating to the fair value option) has not been applied) is deleted.

Amendments to AASB 101

21 In paragraph 7, the definition of 'other comprehensive income' and paragraphs 68, 82, 93 and 95 are amended and paragraph 139E is added as follows:

7 ...

Other comprehensive income **comprises items of income and expense (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by other Australian Accounting Standards.**

The components of other comprehensive income include:

(a) ...

(d) gains and losses ~~on remeasuring available-for-sale financial assets (see AASB 139~~ ~~*Financial Instruments: Recognition and Measurement*)~~ from investments in equity instruments measured at fair value through other comprehensive income in accordance with paragraph 5.4.4 of AASB 9 *Financial Instruments*;

(e) the effective portion of gains and losses on hedging instruments in a cash flow hedge (see AASB 139).

68 The operating cycle of an entity ... Current assets also include assets held primarily for the purpose of trading (examples include some financial assets that meet the definition of ~~classified as~~ held for trading in ~~accordance with~~ AASB 139) and the current portion of non-current financial assets.

82 As a minimum, the statement of comprehensive income shall include line items that present the following amounts for the period:

(a) revenue;

<u>(aa) gains and losses arising from the derecognition of financial assets measured at amortised cost;</u>

(b) finance costs;

(c) share of the profit or loss of associates and joint ventures accounted for using the equity method;

<u>(ca) if a financial asset is reclassified so that it is measured at fair value, any gain or loss arising from a difference between the previous carrying amount and its fair value at the reclassification date (as defined in AASB 9);</u>

(d) ...

93 Other Australian Accounting Standards specify whether and when amounts previously recognised in other comprehensive income are reclassified to profit or loss. Such reclassifications are referred to in this Standard as reclassification adjustments. A reclassification adjustment is included with the related component of other comprehensive income in the period that the adjustment is reclassified to profit or loss. ~~For example, gains realised on the disposal of available-for-sale financial assets are included in profit or loss of the current period.~~ These amounts may have been recognised in other comprehensive income …

95 Reclassification adjustments arise, for example, on disposal of a foreign operation (see AASB 121)~~, on derecognition of available-for-sale financial assets (see AASB 139)~~ and when a hedged forecast transaction affects profit or loss (see paragraph 100 of AASB 139 in relation to cash flow hedges).

139E AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, issued in December 2009, amended the definition of 'other comprehensive income' in paragraph 7 and paragraphs 68, 82, 93 and 95. An entity shall apply those amendments when it applies AASB 9.

Amendments to AASB 102

22 Paragraph 2(b) is amended and paragraph 40A added as follows:

2 This Standard applies to all inventories, except:

...

(b) financial instruments (see AASB 132 *Financial Instruments: Presentation*, ~~and~~ AASB 139 *Financial Instruments: Recognition and Measurement* <u>and AASB 9 *Financial Instruments*</u>); and

...

40A AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, issued in December 2009, amended paragraph 2(b). An entity shall apply that amendment when it applies AASB 9.

Amendments to AASB 108

23 Paragraph 53 is amended and paragraph 54A is added as follows:

53 Hindsight should not be used when applying a new accounting policy to, or correcting amounts for, a prior period, either in making assumptions about what management's intentions would have been in a prior period or estimating the amounts recognised, measured or disclosed in a prior period. For example, ~~when an entity corrects a prior period error in measuring financial assets previously classified as held-to-maturity investments in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*, it does not change their basis of measurement for that period if management decided later not to hold them to maturity. In addition,~~ when an entity corrects a prior period error in calculating its liability for employees' accumulated sick leave in accordance with AASB 119 *Employee Benefits*, it disregards information about an unusually severe influenza season during the next period that became available after the financial statements for the prior period were authorised for issue. The fact that significant estimates are frequently required when amending comparative information presented for prior periods does not prevent reliable adjustment or correction of the comparative information.

54A AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, issued in December 2009, amended paragraph 53. An entity shall apply that amendment when it applies AASB 9 *Financial Instruments*.

Amendments to AASB 112

24 Paragraph 20 is amended and paragraph 96 is added as follows:

20 Australian Accounting Standards permit or require certain assets to be carried at fair value or to be revalued (see, for example, AASB 116 *Property, Plant and Equipment*, AASB 138 *Intangible Assets*, <u>AASB 9 *Financial Instruments*</u> ~~AASB 139 *Financial Instruments: Recognition and Measurement*~~ and AASB 140 *Investment Property*). In some jurisdictions, the revaluation or other restatement of an asset to fair value affects taxable profit (tax loss) for the current period. As a result, ...

96 AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, issued in December 2009, amended paragraph 20. An entity shall apply that amendment when it applies AASB 9.

Amendments to AASB 118

25 Paragraph 6(d) and the last sentence of paragraph 11 are amended and paragraph 39 is added as follows:

6 This Standard does not deal with revenue arising from:

...

(d) changes in the fair value of financial assets and financial liabilities or their disposal (see <u>AASB 9 *Financial Instruments* and</u> AASB 139 *Financial Instruments: Recognition and Measurement*);

...

11 In most cases … The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue in accordance with paragraphs 29 and 30 and in accordance with AASB 139 <u>and AASB 9</u>.

39 AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, issued in December 2009, amended paragraphs 6(d) and 11. An entity shall apply those amendments when it applies AASB 9.

Amendments to AASB 121

26 Paragraphs 3(a), 4 and 52(a) are amended and paragraph 60C is added as follows:

3 This Standard shall be applied: [footnote omitted]

(a) in accounting for transactions and balances in foreign currencies, except for those derivative transactions and balances that are within the scope of AASB 139 *Financial Instruments: Recognition and Measurement* <u>and AASB 9 *Financial Instruments*</u>;

...

4 <u>AASB 9 and</u> AASB 139 <u>apply</u> ~~applies~~ to many foreign currency derivatives and, accordingly, these are excluded from the scope of this Standard. However, those foreign currency derivatives that are not within the scope of <u>AASB 9 and</u> AASB 139 (e.g. some foreign currency derivatives that are embedded in other contracts) are within the scope of this Standard. In addition, this Standard applies when an entity translates amounts relating to derivatives from its *functional currency* to its presentation currency.

52 An entity shall disclose:

(a) the amount of exchange differences recognised in profit or loss except for those arising on financial instruments measured at fair value through profit or loss in accordance with <u>AASB 9 and</u> AASB 139; and

(b) …

60C AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, issued in December 2009, amended paragraphs 3(a), 4 and 52(a). An entity shall apply those amendments when it applies AASB 9.

Amendments to AASB 127

AASB 127 (March 2008, as amended)

27 Paragraphs 35, 37, 38 and 40 are amended and paragraph 45D is added as follows:

35 If a parent loses control of a subsidiary, … For example, if a subsidiary has <u>cumulative exchange differences relating to a foreign operation</u> ~~available-for-sale financial assets~~ and the parent loses control of the subsidiary, the parent shall reclassify to profit or loss the gain or loss previously recognised in other comprehensive income in relation to <u>the foreign operation</u> ~~those assets~~. Similarly, …

37 The fair value of any investment retained in the former subsidiary at the date when control is lost shall be regarded as the fair value on initial recognition of a financial asset in accordance with <u>AASB 9 *Financial Instruments*</u> ~~AASB 139 *Financial Instruments: Recognition and Measurement*~~ or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

38 When an entity prepares separate financial statements, it shall account for investments in subsidiaries, jointly controlled entities and associates either:

(a) at cost, or

(b) in accordance with <u>AASB 9 and</u> AASB 139.

The entity shall apply the same accounting for each category of investments. Investments accounted for at cost shall be accounted for in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* when they are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with AASB 5. The <u>accounting for</u> ~~measurement of~~ investments ~~accounted for~~ in accordance with <u>AASB 9 and</u> AASB 139 is not changed in such circumstances.

40 Investments in jointly controlled entities and associates that are accounted for in accordance with <u>AASB 9 and</u> AASB 139 in the consolidated financial statements shall be accounted for in the same way in the investor's separate financial statements.

45D AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, issued in December 2009, amended paragraphs 35, 37, 38 and 40. An entity shall apply those amendments when it applies AASB 9.

AASB 127 (July 2004, as amended)

28 Paragraphs 31, 32, 37 and 39 are amended and paragraph 43A is added as follows:

31 An investment in an entity shall be accounted for in accordance with AASB 9 *Financial Instruments* and AASB 139 *Financial Instruments: Recognition and Measurement* from the date that it ceases to be a subsidiary, provided that it does not become an associate as defined in AASB 128 or a jointly controlled entity as described in AASB 131.

32 The carrying amount of the investment at the date that the entity ceases to be a subsidiary shall be regarded as the cost on initial measurement of a financial asset in accordance with AASB 9 ~~AASB 139~~.

37 When an entity prepares separate financial statements, it shall account for investments in subsidiaries, jointly controlled entities and associates either:

(a) at cost, or

(b) in accordance with AASB 9 and AASB 139.

The entity shall apply the same accounting for each category of investments. Investments accounted for at cost shall be accounted for in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* when they are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with AASB 5. The accounting for ~~measurement of~~ investments ~~accounted for~~ in accordance with AASB 9 and AASB 139 is not changed in such circumstances.

39 Investments in jointly controlled entities and associates that are accounted for in accordance with AASB 9 and AASB 139 in the consolidated financial statements shall be accounted for in the same way in the investor's separate financial statements.

43A AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, issued in December 2009, amended paragraphs 31, 32, 37 and 39. An entity shall apply those amendments when it applies AASB 9.

Amendments to AASB 128

AASB 128 (As applicable 1 July 2009)

29 Paragraphs 1 and 18-19A of AASB 128 (July 2004, as applicable for annual reporting periods beginning on or after 1 July 2009) are amended and paragraph 41D is added as follows:

1 This Standard shall be applied in accounting for investments in associates. However, it does not apply to investments in associates held by:

(a) venture capital organisations, or

(b) mutual funds, unit trusts and similar entities including investment-linked insurance funds

that are measured ~~upon initial recognition are designated as~~ at fair value through profit or loss ~~or are classified as held for trading and accounted for~~ in accordance with AASB 9 *Financial Instruments* and AASB 139 *Financial Instruments: Recognition and Measurement*. An entity shall measure such ~~Such~~ investments ~~shall be measured~~ at fair value through profit or loss in accordance with AASB 9 ~~AASB 139, with changes in fair value recognised in profit or loss in the period of the change~~. An entity holding such an investment shall make the disclosures required by paragraph 37(f).

18 An investor shall discontinue the use of the equity method from the date when it ceases to have significant influence over an associate and shall account for the investment in accordance with AASB 9 and AASB 139 from that date, provided the associate does not become a subsidiary or a joint venture as defined in AASB 131. On the loss of significant influence, …

19 When an investment ceases to be an associate and is accounted for in accordance with AASB 9 and AASB 139, the fair value of the investment at the date when it ceases to be an associate shall be regarded as its fair value on initial

recognition as a financial asset in accordance with <u>AASB 9</u> ~~AASB 139~~.

19A If an investor loses significant influence over an associate, … For example, if an associate has <u>cumulative exchange differences relating to a foreign operation</u> ~~available-for-sale financial assets~~ and the investor loses significant influence over the associate, the investor shall reclassify to profit or loss the gain or loss previously recognised in other comprehensive income in relation to <u>the foreign operation</u> ~~those assets~~. If …

41D AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, issued in December 2009, amended paragraphs 1 and 18-19A. An entity shall apply those amendments when it applies AASB 9.

AASB 128 (As applicable 1 January 2009)

30 Paragraphs 1, 18 and 19 of AASB 128 (July 2004, as applicable for annual reporting periods beginning on or after 1 January 2009 but before 1 July 2009) are amended and paragraph 41A is added as follows:

1 This Standard shall be applied in accounting for investments in associates. However, it does not apply to investments in associates held by:

(a) venture capital organisations, or

(b) mutual funds, unit trusts and similar entities including investment-linked insurance funds

that <u>are measured</u> ~~upon initial recognition are designated as~~ at fair value through profit or loss ~~or are classified as held for trading and accounted for~~ in accordance with <u>AASB 9 *Financial Instruments* and</u> AASB 139 *Financial Instruments: Recognition and Measurement*. <u>An entity shall measure such</u> ~~Such~~ investments ~~shall be measured~~ at fair value <u>through profit or loss</u> in accordance with <u>AASB 9</u> ~~AASB 139, with changes in fair value recognised in profit or loss in the period of the change~~. An entity holding such an investment shall make the disclosures required by paragraph 37(f).

18 An investor shall discontinue the use of the equity method from the date that it ceases to have significant influence over an associate and shall account for the investment in accordance with <u>AASB 9 and</u> AASB 139 from that date, provided the associate does not become a subsidiary or a joint venture as defined in AASB 131 *Interests in Joint Ventures*.

19 The carrying amount of the investment at the date that it ceases to be an associate shall be regarded as its cost on initial <u>recognition</u> ~~measurement~~ as a financial asset in accordance with <u>AASB 9</u> ~~AASB 139~~.

41A AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, issued in December 2009, amended paragraphs 1, 18 and 19. An entity shall apply those amendments when it applies AASB 9.

Amendments to AASB 131

AASB 131 (As applicable 1 July 2009)

31 Paragraphs 1, 45-45B and 51 of AASB 131 (July 2004, as applicable for annual reporting periods beginning on or after 1 July 2009) are amended and paragraph 58C is added as follows:

1 This Standard shall be applied in accounting for interests in *joint ventures* and the reporting of joint venture assets, liabilities, income and expenses in the financial statements of *venturers* and investors, regardless of the structures or forms under which the joint venture activities take place. However, it does not apply to venturers' interests in jointly controlled entities held by:

(a) venture capital organisations, or

(b) mutual funds, unit trusts and similar entities including investment-linked insurance funds

that <u>are measured</u> ~~upon initial recognition are designated as~~ at fair value through profit or loss ~~or are classified as held for trading and accounted for~~ in accordance with <u>AASB 9 *Financial Instruments* and</u> AASB 139 *Financial Instruments: Recognition and Measurement*. <u>An entity shall measure such</u> ~~Such~~ investments ~~shall be measured~~ at fair value <u>through profit or loss</u> in accordance with <u>AASB 9</u> ~~AASB 139, with~~

~~changes in fair value recognised in profit or loss in the period of the change~~. A venturer holding such an interest shall make the disclosures required by paragraphs 55 and 56.

45 When an investor ceases to have joint control over an entity, it shall account for any remaining investment in accordance with AASB 9 and AASB 139 from that date, provided that the former jointly controlled entity does not become a subsidiary or associate. From …

45A When an investment ceases to be a jointly controlled entity and is accounted for in accordance with AASB 9 and AASB 139, the fair value of the investment when it ceases to be a jointly controlled entity shall be regarded as its fair value on initial recognition as a financial asset in accordance with AASB 9 ~~AASB 139~~.

45B If an investor loses joint control of an entity, … For example, if a jointly controlled entity has cumulative exchange differences relating to a foreign operation ~~available-for-sale financial assets~~ and the investor loses joint control of the entity, the investor shall reclassify to profit or loss the gain or loss previously recognised in other comprehensive income in relation to the foreign operation ~~those assets~~. If ...

51 An *investor in a joint venture* that does not have joint control shall account for that investment in accordance with AASB 9 and AASB 139 or, if it has significant influence in the joint venture, in accordance with AASB 128.

58C AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, issued in December 2009, amended paragraphs 1, 45-45B and 51. An entity shall apply those amendments when it applies AASB 9.

AASB 131 (As applicable 1 January 2009)

32 Paragraphs 1 and 51 of AASB 131 (July 2004, as applicable for annual reporting periods beginning on or after 1 January 2009 but before 1 July 2009) are amended and paragraph 58A is added as follows:

1 This Standard shall be applied in accounting for interests in joint ventures and the reporting of joint venture assets, liabilities, income and expenses in the financial statements of venturers and investors, regardless of the structures or forms under which the joint venture activities take place. However, it does not apply to venturers' interests in jointly controlled entities held by:

(a) venture capital organisations, or

(b) mutual funds, unit trusts and similar entities including investment-linked insurance funds

that <u>are measured</u> ~~upon initial recognition are designated as~~ at fair value through profit or loss ~~or are classified as held for trading and accounted for~~ in accordance with <u>AASB 9 *Financial Instruments* and</u> AASB 139 *Financial Instruments: Recognition and Measurement*. <u>An entity shall measure such</u> ~~Such~~ investments ~~shall be measured~~ at fair value <u>through profit or loss</u> in accordance with AASB <u>9</u> ~~AASB 139, with changes in fair value recognised in profit or loss in the period of the change~~.

51 An investor in a joint venture that does not have joint control shall account for that investment in accordance with <u>AASB 9 and</u> AASB 139 or, if it has significant influence in the joint venture, in accordance with AASB 128.

58A AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, issued in December 2009, amended paragraphs 1 and 51. An entity shall apply those amendments when it applies AASB 9.

Amendments to AASB 132

33 Paragraphs 3, 12 and 31 are amended and paragraph 97F is added as follows:

3 The principles in this Standard complement the principles for recognising and measuring financial assets and financial liabilities in AASB 9 *Financial Instruments* and AASB 139 *Financial Instruments: Recognition and Measurement*, and for disclosing information about them in AASB 7 *Financial Instruments: Disclosures.*

12 The following terms are defined in paragraph 9 of AASB 139 and are used in this Standard with the meaning specified in AASB 139.

(a) amortised cost of a financial asset or financial liability

~~(b)~~ ~~available for sale financial assets~~

(b)~~(c)~~ derecognition

(c)~~(d)~~ derivative

(d)~~(e)~~ effective interest method

(e)~~(f)~~ ~~financial asset or~~ financial liability at fair value through profit or loss

(f)~~(g)~~ financial guarantee contract

(g)~~(h)~~ firm commitment

(h)~~(i)~~ forecast transaction

(i)~~(j)~~ hedge effectiveness

(j)~~(k)~~ hedged item

(k)~~(l)~~ hedging instrument

(l) held for trading

~~(m)~~ ~~held to maturity investments~~

~~(n)~~ ~~loans and receivables~~

(m)~~(o)~~• regular way purchase or sale

(n)~~(p)~~• transaction costs.

31 AASB 9 and AASB 139 deal~~s~~ with the measurement of financial assets and financial liabilities respectively. Equity instruments …

97F AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, issued in December 2009, amended paragraphs 3, 12, 31, AG2 and AG30. An entity shall apply those amendments when it applies AASB 9.

34 In the Appendix (Application Guidance), paragraphs AG2 and AG30 are amended as follows:

AG2 The Standard does not deal with the recognition or measurement of financial instruments. Requirements about ~~the~~ recognition and measurement are set out in AASB 9 for ~~of~~ financial assets and AASB 139 for financial liabilities~~ are set out in AASB 139~~.

AG30 Paragraph 28 applies only to issuers of non-derivative compound financial instruments. Paragraph 28 does not deal with compound financial instruments from the perspective of holders. AASB 9 deals with the classification and measurement of financial assets that are compound instruments from the holder's perspective. ~~AASB 139 deals with the separation of embedded derivatives from the perspective of holders of compound financial instruments that contain debt and equity features.~~

Amendments to AASB 136

35 Paragraphs 2(e) and 5 are amended and paragraph 140F is added as follows:

2 ...

(e) financial assets that are within the scope of ~~AASB 139~~ ~~*Financial Instruments: Recognition and Measurement*~~ AASB 9 *Financial Instruments*;

5 This Standard does not apply to financial assets within the scope of ~~AASB 139~~ AASB 9, investment property measured at fair value in accordance with AASB 140, or biological assets related to agricultural activity measured at fair value less costs to sell in accordance with AASB 141. However, ...

140F AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, issued in December 2009, amended paragraphs 2(e) and 5. An entity shall apply those amendments when it applies AASB 9.

Amendments to AASB 139

36 Paragraph 1 is amended as follows:

1 The objective of this Standard is to establish principles for recognising and measuring ~~financial assets,~~ financial liabilities and some contracts to buy or sell non-financial items. Requirements for presenting information about financial instruments are in AASB 132 *Financial Instruments: Presentation*. Requirements for disclosing information about financial instruments are in AASB 7 *Financial Instruments: Disclosures*. Requirements for classifying and measuring financial assets are in AASB 9 *Financial Instruments*.

37 In paragraph 9, a definition of 'held for trading' is added and the heading 'Definitions of four categories of financial instruments' and the definition of 'financial asset or financial liability at fair value through profit or loss' are amended as follows:

Definitions of ~~Four~~ Categories of Financial Instruments

...

A financial asset or financial liability is *held for trading* if:

(a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;

(b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

(c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

A ~~*financial asset or*~~ *financial liability at fair value through profit or loss* is a ~~financial asset or~~ financial liability that meets either of the following conditions.

(a) It ~~is classified as~~ meets the definition of held for trading. ~~A financial asset or financial liability is classified as held for trading if:~~

~~(i) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;~~

~~(ii) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking; or~~

~~(iii) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).~~

(b) Upon initial recognition it is designated by the entity as at fair value through profit or loss. An entity may use this designation only when permitted by paragraph 11A, or when doing so results in more relevant information, because either

...

(ii) a group of ~~financial assets,~~ financial liabilities or ~~both~~ financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel (as defined in AASB 124 *Related Party Disclosures*), for example the entity's board of directors and chief executive officer.

In AASB 7, paragraphs ~~9–~~10 and 11 ~~and B4~~ require the entity to provide disclosures about ~~financial assets and~~ financial liabilities it has designated as at fair value through profit or loss, including how it has satisfied these conditions (see paragraphs B4 and B5 of AASB 7). For instruments qualifying in accordance with (ii) above, that disclosure includes a narrative description of how designation as at fair value through profit or loss is consistent with the entity's documented risk management or investment strategy.

~~**Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured (see paragraph 46(c) and Appendix A paragraphs AG80 and AG81), shall not be designated as at fair value through profit or loss.**~~

It should be noted that paragraphs 48, 48A, 49 and Appendix A paragraphs AG69-AG82, which set out requirements for determining a reliable measure of the fair value of a ~~financial asset or~~ financial liability, apply equally to all items that are measured at fair value, whether by designation or otherwise, or whose fair value is disclosed.

...

38 In paragraph 9 the terms 'held-to-maturity investments', 'loans and receivables' and 'available-for-sale financial assets' are deleted.

39 Paragraphs 10-11A, 13 and 14 are amended as follows:

10 An embedded derivative is a component of a hybrid (combined) <u>contract</u> ~~instrument~~ that also includes a non-derivative host contract – with the effect that some of the cash flows of the combined <u>contract</u> ~~instrument~~ vary in a way similar to a stand-alone derivative. An …

11 An embedded derivative shall be separated from the host contract and accounted for as a derivative under this Standard if, and only if:

...

(b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; ~~and~~

(c) the hybrid (combined) <u>contract</u> ~~instrument~~ is not measured at fair value with changes in fair value recognised in profit or loss (i.e. a derivative that is embedded in a ~~*financial asset or*~~ *financial liability at fair value through profit or loss* is not separated)~~.~~<u>; and</u>

<u>(d) the host is outside the scope of AASB 9.</u>

If an embedded derivative is separated, the host contract shall be accounted for ~~under this Standard if it is a financial instrument, and~~ in accordance with <u>the</u> ~~other~~ appropriate

Australian Accounting Standards ~~Standards if it is not a financial instrument~~. This Standard does not address whether an embedded derivative shall be presented separately in the statement of financial position.

11A Notwithstanding paragraph 11, if a contract contains one or more embedded derivatives and the host is outside the scope of AASB 9, an entity may designate the entire hybrid (combined) contract as a financial asset or financial liability at fair value through profit or loss unless:

...

13 If an entity is unable to determine reliably the fair value of an embedded derivative on the basis of its terms and conditions ~~(for example, because the embedded derivative is based on an unquoted equity instrument)~~, the fair value of the embedded derivative is the difference between the fair value of the hybrid (combined) contract ~~instrument~~ and the fair value of the host contract, if those can be determined under this Standard. If the entity is unable to determine the fair value of the embedded derivative using this method, paragraph 12 applies and the hybrid (combined) contract ~~instrument~~ is designated as at fair value through profit or loss.

14 An entity shall recognise ~~a financial asset or~~ a financial liability in its statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. ~~(See paragraph 38 with respect to regular way purchases of financial assets.)~~

40 Paragraphs 26, 27(b), 31, 33 and 34 are amended as follows:

26 On derecognition of a financial asset in its entirety, the difference between:

(a) the carrying amount (measured at the date of derecognition); and

(b) ~~the sum of (i)~~ the consideration received (including any new asset obtained less any new liability assumed) ~~and (ii) any cumulative gain or loss that had been recognised in other comprehensive income (see paragraph 55(b))~~;

shall be recognised in profit or loss.

27 … The difference between:

(a) …

(b) ~~the sum of (i)~~ the consideration received for the part derecognised (including any new asset obtained less any new liability assumed) ~~and (ii) any cumulative gain or loss allocated to it that had been recognised in other comprehensive income (see paragraph 55(b))~~…

shall be recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts.

31 When an entity continues to recognise an asset to the extent of its continuing involvement, the entity also recognises an associated liability. Despite the other measurement requirements in this Standard <u>and AASB 9</u>, the transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the entity has retained. The associated liability is …

(a) ...

33 For the purpose of subsequent measurement, recognised changes in the fair value of the transferred asset and the associated liability are accounted for consistently with each other in accordance with paragraph 55 <u>and AASB 9 paragraph 5.4.1</u>, and shall not be offset.

34 …The difference between:

(a) the carrying amount <u>(measured at the date of derecognition)</u> allocated to the part that is no longer recognised; and

(b) ~~the sum of (i)~~ the consideration received for the part no longer recognised ~~and (ii) any cumulative gain or loss allocated to it that had been recognised in other comprehensive income (see paragraph 55(b));~~

shall be recognised in profit or loss. ~~A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised~~

~~**and the part that is no longer recognised, on the basis of the relative fair values of those parts.**~~

41 In the section titled 'Measurement' the following are deleted: the headings above paragraphs 45, 63, 66 and 67; and paragraphs 45, 46, 50B-52, 61 and 66-70 and notes regarding the IASB deletions are added. The headings above paragraphs 43 and 58 and paragraphs 43, 44, 47, 48, 50, 50A, 53-58 and 63 are amended as follows:

Initial Measurement of ~~Financial Assets and~~ Financial Liabilities

43 When a ~~financial asset or~~ financial liability is recognised initially, an entity shall measure it at its fair value minus ~~plus~~, in the case of a ~~financial asset or~~ financial liability not at fair value through profit or loss, *transaction costs* that are directly attributable to the ~~acquisition or~~ issue of the ~~financial asset or~~ financial liability.

44 When an entity uses settlement date accounting for an asset that is subsequently measured at ~~cost or~~ amortised cost, the asset is recognised initially at its fair value on the trade date (see Appendix A paragraphs AG53-AG56).

47 After initial recognition, an entity shall measure all financial liabilities at amortised cost using the effective interest method, except for:

(a) financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be measured at fair value except for a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, which shall be measured at cost (see Appendix A paragraphs AG80 and AG81).

…

48 In determining the fair value of a financial asset or a financial liability for the purpose of applying this Standard, AASB 132, ~~or~~ AASB 7 or AASB 9, an entity shall apply paragraphs AG69-AG82 of Appendix A.

50 An entity~~:~~ shall not reclassify a financial liability except in accordance with paragraphs 53 and 54.

~~(a)~~ ~~shall not reclassify~~ ...

... after initial recognition.

50A The following changes in circumstances are not reclassifications for the purposes of paragraph 50:

(a) a derivative that was previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such~~;~~.

(b) a derivative becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge~~;~~.

(c) [deleted by the IASB]

53 If a reliable measure becomes available for a ~~financial asset or~~ financial liability for which such a measure was previously not available, and the ~~asset or~~ liability is required to be measured at fair value if a reliable measure is available (see paragraph~~s 46(c) and~~ 47(a)), the ~~asset or~~ liability shall be remeasured at fair value, and the difference between its carrying amount and fair value shall be accounted for in accordance with paragraph 55.

54 If, ~~as a result of a change in intention or ability or~~ in ~~the~~ rare circumstances ~~that~~ a reliable measure of fair value is no longer available (see paragraph~~s 46(c) and~~ 47(a)), ~~or because the 'two preceding annual reporting periods' referred to in paragraph 9 have passed, it becomes appropriate to carry a financial asset or~~ an entity shall measure the financial liability at cost ~~or amortised cost~~ rather than at fair value.~~,~~ T~~t~~he fair value ~~carrying amount~~ of the ~~financial asset or the~~ financial liability on ~~that~~ the date of reclassification becomes its new cost. ~~or amortised cost, as applicable. Any previous gain or loss on that asset that has been recognised in other comprehensive income in accordance with paragraph 55(b) shall be accounted for as follows:~~

~~(a)~~ ~~In the case of a financial asset with a fixed maturity, the gain or loss shall be amortised to profit or loss over the remaining life of the held-to-maturity investment using the effective interest method. Any difference between the new amortised cost and maturity amount~~

~~shall also be amortised over the remaining life of the financial asset using the effective interest method, similar to the amortisation of a premium and a discount. If the financial asset is subsequently impaired, any gain or loss that has been recognised in other comprehensive income is reclassified from equity to profit or loss in accordance with paragraph 67.~~

~~(b)~~ ~~In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognised in profit or loss when the financial asset is sold or otherwise disposed of. If the financial asset is subsequently impaired any previous gain or loss that has been recognised in other comprehensive income is reclassified from equity to profit or loss in accordance with paragraph 67.~~

55 A gain or loss arising from a change in the fair value of a ~~financial asset or~~ financial liability measured at fair value through profit or loss that is not part of a hedging relationship (see paragraphs 89–102), shall be recognised in profit or loss. ~~, as follows~~

~~(a)~~ ~~A gain or loss ...~~

~~(b)~~ ~~... the entity's right to receive payment is established (see AASB 118).~~

56 For ~~financial assets and~~ financial liabilities ~~carried~~ measured at amortised cost (see paragraphs ~~46 and~~ 47), a gain or loss is recognised in profit or loss when the ~~financial asset or~~ financial liability is derecognised ~~or impaired~~, and through the amortisation process. However, for ~~financial assets or~~ financial liabilities that are hedged items (see paragraphs 78-84 and Appendix A paragraphs AG98-AG101) the accounting for the gain or loss shall follow paragraphs 89-102.

57 If an entity recognises financial assets using settlement date accounting (see paragraph 38 and Appendix A paragraphs AG53-AG56), any change in the fair value of the asset to be received during the period between the trade date and the settlement date is not recognised for assets ~~carried at cost or~~ measured at amortised cost (other than impairment losses). For assets ~~carried~~ measured at fair value, however, the change in fair value shall be recognised in profit or loss

or in equity, as appropriate under ~~paragraph 55~~ paragraph 5.4.1 of AASB 9.

Impairment and Uncollectibility of Financial Assets Measured at Amortised Cost

58 An entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortised cost is impaired. If any such evidence exists, the entity shall apply paragraph 63 ~~(for financial assets carried at amortised cost), paragraph 66 (for financial assets carried at cost) or paragraph 67 (for available for sale financial assets)~~ to determine the amount of any impairment loss.

63 If there is objective evidence that an impairment loss on financial assets measured ~~loans and receivables or held to maturity investments carried~~ at amortised cost has been incurred, the amount of the loss is measured as …

42 Paragraph 79 is deleted and paragraphs 88(d), 89(b), 90 and 96(c) are amended as follows:

88 A hedging relationship qualifies for hedge accounting under paragraphs 89-102 if, and only if, all of the following conditions are met.

...

(d) The effectiveness of the hedge can be reliably measured, that is, the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured (see paragraph~~s 46 and~~ 47(a) and Appendix A paragraphs AG80 and AG81 for guidance on determining fair value).

...

89 If a fair value hedge meets the conditions in paragraph 88 during the period, it shall be accounted for as follows:

...

(b) the gain or loss on the hedged item attributable to the hedged risk shall adjust the carrying amount of the

hedged item and be recognised in profit or loss. This applies if the hedged item is otherwise measured at cost. ~~Recognition of the gain or loss attributable to the hedged risk in profit or loss applies if the hedged item is an available for sale financial asset.~~

90 If only particular risks attributable to a hedged item are hedged, recognised changes in the fair value of the hedged item unrelated to the hedged risk are recognised as set out in paragraph 55 <u>of this Standard and paragraph 5.4.1 of AASB 9</u>.

96 …

(c) if an entity's documented risk management strategy for a particular hedging relationship excludes from the assessment of hedge effectiveness a specific component of the gain or loss or related cash flows on the hedging instrument (see paragraphs 74, 75 and 88(a)), that excluded component of gain or loss is recognised in accordance with paragraph 55 <u>of this Standard and paragraph 5.4.1 of AASB 9</u>.

43 Paragraphs 103L and 103M are added as follows:

103L AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, issued in December 2009, amended paragraphs 1, 9-11A, 13, 14, 26, 27(b), 31, 33, 34, 43, 44, 47, 48, 50, 50A, 53-58, 63, 88(d), 89(b), 90, 96(c), AG3, AG3A, AG4B-AG4E, AG4H, AG4I, AG8, AG29, AG31-AG35, AG50, AG53, AG56, AG64, AG76A, AG80, AG81, AG83, AG84, AG95, AG96 and AG114(a) and deleted paragraphs 45, 46, 50B-52, 61, 66-70, 79, AG16-AG26, AG30(b), AG30(f) and AG65-AG68. An entity shall apply those amendments when it applies AASB 9.

103M At the date of initial application of AASB 9, an entity:

(a) may designate a financial liability as measured at fair value through profit or loss in accordance with paragraph 9(b)(i) of AASB 139.

(b) shall revoke its previous designation of a financial liability as measured at fair value through profit or loss if such designation was made at initial recognition in accordance with paragraph 9(b)(i) of AASB 139 and such designation does not satisfy that condition at the date of initial application of AASB 9.

(c) may revoke its previous designation of a financial liability as measured at fair value through profit or loss if such designation was made at initial recognition in accordance with paragraph 9(b)(i) of AASB 139 and such designation satisfies that condition at the date of initial application of AASB 9.

Such designation shall be made on the basis of the facts and circumstances that exist at the date of initial application of AASB 9. That classification shall be applied retrospectively.

44 Paragraphs AG3, AG3A, AG4B–AG4E, AG4H, AG4I and AG8 in Appendix A are amended as follows:

AG3 … If neither the equity method nor proportionate consolidation is appropriate, the entity applies this Standard and AASB 9 to that strategic investment.

AG3A This Standard and AASB 9 apply ~~applies~~ to the financial assets and financial liabilities of insurers, other than rights and obligations that paragraph 2(e) excludes because they arise under contracts within the scope of AASB 4.

AG4B Paragraph 9 of this Standard and paragraph 4.5 of AASB 9 allow~~s~~ an entity to designate a financial asset, a financial liability, or a group of financial instruments (financial assets, financial liabilities or both) as at fair value through profit or loss provided that doing so results in more relevant information.

AG4C The decision of an entity to designate a financial asset or financial liability as at fair value through profit or loss is similar to an accounting policy choice (although, unlike an accounting policy choice, it is not required to be applied consistently to all similar transactions). When an entity has such a choice, paragraph 14(b) of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* requires the chosen policy to result in the financial statements providing reliable and more relevant information about the effects of transactions, other events and conditions on the entity's financial position, financial performance or cash flows. For example, in ~~In~~ the case of designation of a financial liability as at fair value through profit or loss, paragraph 9 sets out the two circumstances when the requirement for more relevant information will be met. Accordingly, to choose such designation in accordance with paragraph 9, the entity needs to demonstrate that it falls within one (or both) of these two circumstances.

AG4D Under AASB 139 and AASB 9 measurement of a financial asset or financial liability and classification of recognised changes in its value are determined by the item's classification and whether the item is part of a designated hedging relationship. Those requirements can create a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') when, for example, in the absence of designation as at fair value through profit or loss, a financial asset would be classified as measured at fair value in accordance with AASB 9 ~~available for sale (with most changes in fair value recognised in other comprehensive income)~~ and a liability the entity considers related would be measured at amortised cost (with changes in fair value not recognised). In such circumstances, an entity may conclude that its financial statements would provide more relevant information if both the asset and the liability were ~~classified~~ measured as at fair value through profit or loss.

AG4E The following examples show when this condition could be met. In all cases, an entity may use this condition to designate financial assets or financial liabilities as at fair value through profit or loss only if it meets the principle in paragraph 9(b)(i) of this Standard or paragraph 4.5 of AASB 9.

(a) [Deleted by the IASB] ~~An entity has liabilities ... the value of liabilities.~~

(b) An entity has liabilities under insurance contracts whose measurement incorporates current information (as permitted by AASB 4, paragraph 24), and financial assets it considers related that would otherwise be ~~classified as available for sale or~~ measured at amortised cost.

(c) ...

(d) An entity has financial assets, financial liabilities or both that share a risk, such as interest rate risk, that gives rise to opposite changes in fair value that tend to offset each other and the entity does not qualify for hedge accounting because none of the instruments is a derivative. Furthermore, in the absence of hedge accounting there is a significant inconsistency in the recognition of gains and losses. For example,~~:~~

~~(i)~~ ~~the entity has financed a portfolio of fixed rate assets that would otherwise be classified as available for sale with fixed rate debentures whose changes in fair value tend to offset each other. Reporting both the assets and the debentures at fair value through profit or loss corrects the inconsistency that would otherwise arise from measuring the assets at fair value with changes recognised in other comprehensive income and the debentures at amortised cost.~~

~~(ii)~~ the entity has financed a specified group of loans by issuing traded bonds whose changes in fair value tend to offset each other. If, in addition, the entity regularly buys and sells the bonds but rarely, if ever, buys and sells the loans, reporting both the loans and the bonds at fair value through profit or loss eliminates the inconsistency in the timing of recognition of gains and losses that would otherwise result from measuring them both at amortised cost and recognising a gain or loss each time a bond is repurchased.

Paragraph 9(b)(ii): A group of ~~financial assets,~~ financial liabilities or ~~both~~ <u>financial assets and financial liabilities</u> is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy

AG4H An entity may manage and evaluate the performance of a group of ~~financial assets,~~ financial liabilities or ~~both~~ <u>financial assets and financial liabilities</u> in such a way that measuring that group at fair value through profit or loss results in more relevant information. The focus in this instance is on the way the entity manages and evaluates performance, rather than on the nature of its financial instruments.

AG4I <u>For example,</u> ~~The following examples show when this condition could be met. In all cases,~~ an entity may use this condition to designate ~~financial assets or~~ financial liabilities as at fair value through profit or loss ~~only~~ if it meets the principle in paragraph 9(b)(ii) <u>and</u>~~.~~

~~(a)~~ ~~The entity is a venture capital organisation ... AASB 128 or AASB 131.~~

~~(b)~~ ~~T~~the entity has financial assets and financial liabilities that share one or more risks and those risks are managed and evaluated on a fair value basis in accordance with a documented policy of asset and liability management. An example could be an entity that has issued 'structured products' containing multiple embedded derivatives and manages the resulting risks on a fair value basis using a mix of derivative and non-derivative financial instruments. ~~A similar ... financial instruments.~~

~~(c)~~ ~~The entity is an insurer ... subject to the insurer's discretion.~~

AG8 If an entity revises its estimates of payments or receipts, the entity shall adjust the carrying amount of the financial asset or financial liability (or group of financial instruments) to reflect actual and revised estimated cash flows. The entity recalculates the carrying amount by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate or, when applicable, the revised effective interest rate calculated in accordance with paragraph 92. The adjustment is recognised in profit or loss as income or expense. ~~If a financial asset is reclassified in accordance with paragraph 50B, 50D or 50E, and the entity subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase shall be recognised as an adjustment to the effective interest rate from the date of the change in estimate rather than as an adjustment to the carrying amount of the asset at the date of the change in estimate.~~

45 The heading above paragraph AG14 and paragraphs AG29 and AG31-AG35 are amended as follows and the headings above paragraphs AG16 and AG26 and paragraphs AG16-AG26 and AG30(b) and (f) are deleted.

Financial ~~Assets and Financial~~ Liabilities Held for Trading

AG14 …

AG29 Generally, multiple embedded derivatives in a single hybrid contract ~~instrument~~ are treated as a single compound embedded derivative. However, embedded derivatives that are classified as equity (see AASB 132) are accounted for separately from those classified as assets or liabilities. In addition, if ~~an~~ hybrid contract ~~instrument~~ has more than one embedded derivative and those derivatives relate to different risk exposures and are readily separable and independent of each other, they are accounted for separately from each other.

AG31 An example of a hybrid contract ~~instrument~~ is a financial instrument that gives the holder a right to put the financial instrument back to the issuer in exchange for an amount of cash or other financial assets that varies on the basis of the change in an equity or commodity index that may increase or decrease (a 'puttable instrument'). Unless the issuer ...

AG32 In the case of a puttable instrument that can be put back at any time for cash equal to a proportionate share of the net asset value of an entity (such as units of an open-ended mutual fund or some unit-linked investment products), the effect of separating an embedded derivative and accounting for each component is to measure the hybrid contract ~~combined instrument~~ at the redemption amount that is payable at the end of the reporting period if the holder exercised its right to put the instrument back to the issuer.

AG33 The economic characteristics and risks of an embedded derivative are closely related to the economic characteristics and risks of the host contract in the following examples. In these examples, an entity does not account for the embedded derivative separately from the host contract.

(a) An embedded derivative in which the underlying is an interest rate or interest rate index that can change the amount of interest that would otherwise be paid or received on an interest-bearing host debt contract or insurance contract is closely related to the host contract unless the hybrid contract ~~combined instrument~~ can be settled in such a way that the holder would not recover substantially all of its recognised investment or the embedded derivative could at least double the holder's initial rate of return on the host contract and could result in a rate of return that is at least twice what the market return would be for a contract with the same terms as the host contract.

(b) ...

AG33A When an entity becomes a party to a hybrid (combined) contract ~~instrument~~ that contains one or more embedded derivatives, paragraph 11 requires the entity to identify any such embedded derivative, assess whether it is required to be separated from the host contract and, for those that are required to be separated, measure the derivatives at fair value at initial recognition and subsequently. These requirements can be more complex, or result in less reliable measures, than measuring the entire instrument at fair value through profit or loss. For that reason this Standard permits the entire hybrid contract ~~instrument~~ to be designated as at fair value through profit or loss.

AG33B Such designation may be used whether paragraph 11 requires the embedded derivatives to be separated from the host contract or prohibits such separation. However, paragraph 11A would not justify designating the hybrid (combined) contract ~~instrument~~ as at fair value through profit or loss in the cases set out in paragraph 11A(a) and (b) because doing so would not reduce complexity or increase reliability.

AG34 As a consequence of the principle in paragraph 14 of this Standard and paragraph 3.1.1 of AASB 9, an entity recognises …

AG35 The following are examples of applying the principle in paragraph 14 of this Standard and paragraph 3.1.1 of AASB 9:

(a) ...

46 Paragraphs AG50, AG53 and AG56 are amended as follows:

AG50 To the extent that a transfer of a financial asset does not qualify for derecognition, the transferee does not recognise the transferred asset as its asset. The transferee derecognises the cash or other consideration paid and recognises a receivable from the transferor. If the transferor has both a right and an obligation to reacquire control of the entire transferred asset for a fixed amount (such as under a repurchase agreement), the transferee may measure ~~account for~~ its receivable at amortised cost if it meets the criteria in paragraph 4.2 of AASB 9 ~~as a loan or receivable~~.

AG53 A regular way purchase or sale of financial assets is recognised using either trade date accounting or settlement date accounting as described in paragraphs AG55 and AG56. An entity shall apply the same method ~~The method used is applied~~ consistently for all purchases and sales of financial assets that are classified in the same way in accordance with AASB 9 ~~belong to the same category of financial assets defined in paragraph 9~~. For this purpose assets that ~~are~~ meet the definition of held for trading form a separate ~~category~~ classification from assets designated as measured at fair value through profit or loss. In addition, investments in equity instruments accounted for using the option provided in paragraph 5.4.4 of AASB 9 form a separate classification.

AG56 … In other words, the change in value is not recognised for assets measured ~~carried~~ at ~~cost or~~ amortised cost; it is recognised in profit or loss for assets classified as financial assets measured at fair value through profit or loss; and it is recognised in other comprehensive income for investments in equity instruments accounted for in accordance with paragraph 5.4.4 of AASB 9 ~~assets classified as available for sale~~.

47 Paragraphs AG65–AG68 are deleted. The heading above paragraph AG64 and paragraphs AG64 and AG76A are amended as follows:

Measurement (paragraphs 43–~~70~~65)

Initial Measurement of ~~Financial Assets and~~ Financial Liabilities (paragraph 43)

AG64 The fair value of a financial ~~instrument~~ liability on initial recognition is normally the transaction price (i.e. the fair value of the consideration ~~given or~~ received, see also paragraph AG76). However, if part of the consideration given or received is for something other than the financial ~~instrument~~ liability, the fair value of the financial ~~instrument~~ liability is estimated, using a valuation technique (see paragraphs AG74-AG79). ~~For example, the fair value of a long term loan or receivable that carries no interest can be estimated as the present value of all future cash receipts discounted using the prevailing market rate(s) of interest for a similar instrument (similar as to currency, term, type of interest rate and other factors) with a similar credit rating. Any additional amount lent is an expense or a reduction of income unless it qualifies for recognition as some other type of asset.~~

AG76A The subsequent measurement of the financial asset or financial liability and the subsequent recognition of gains and losses shall be consistent with the requirements of this Standard or AASB 9 as appropriate. The application …

48 The heading above paragraph AG80 and paragraphs AG80 and AG81 are amended as follows:

No Active Market: Derivatives on Unquoted Equity Instruments

AG80 The fair value of ~~investments in equity instruments that do not have a quoted market price in an active market and~~ derivatives that are linked to and must be settled by delivery of ~~such an~~ unquoted equity instruments (see paragraph~~s 46 and~~ 47) is reliably measurable if (a) the variability in the range of reasonable fair value estimates is not significant for that instrument or (b) the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value.

AG81 There are many situations in which the variability in the range of reasonable fair value estimates of ~~investments in equity instruments that do not have a quoted market price and~~ derivatives that are linked to and must be settled by delivery of ~~such an~~ unquoted equity instruments (see paragraph~~s 46(c) and~~ 47) is likely not to be significant. Normally it is possible to estimate the fair value of such derivatives ~~a financial asset~~ that an entity has acquired from an outside party. However, if the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed, an entity is precluded from measuring the instrument at fair value.

49 The heading above paragraph AG84 and paragraphs AG83 and AG84 are amended as follows:

AG83 An entity applies AASB 121 to ~~financial assets and~~ financial liabilities that are monetary items in accordance with AASB 121 and denominated in a foreign currency. Under AASB 121, any foreign exchange gains and losses on ~~monetary assets and~~ monetary liabilities are recognised in profit or loss. An exception is a monetary item that is designated as a hedging instrument in either a cash flow hedge (see paragraphs 95-101) or a hedge of a net investment (see paragraph 102). ~~For the purpose of recognising foreign exchange gains and losses under AASB 121, a monetary available-for-sale financial asset is treated as if it were carried at amortised cost in the foreign currency. Accordingly, for such a financial asset, exchange differences resulting from changes in amortised cost are recognised in profit or loss and other changes in carrying amount are recognised in accordance with paragraph 55(b). For available-for-sale financial assets that are not monetary items under AASB 121 (e.g. equity instruments), the gain or loss that is recognised in other comprehensive income under paragraph 55(b) includes any related foreign exchange component.~~ If there is a hedging relationship between a non-derivative monetary asset and a non-derivative monetary liability, changes in the foreign currency component of those financial instruments are recognised in profit or loss.

Impairment and Uncollectibility of Financial Assets Measured at Amortised Cost (paragraphs 58–~~70~~65)

~~Financial Assets Carried at Amortised Cost (paragraphs 63–65)~~

AG84 Impairment of a financial asset ~~carried~~ measured at amortised cost is measured using the financial instrument's original effective interest rate because discounting at the current market rate of interest would, in effect, impose fair value measurement on financial assets that are otherwise measured at amortised cost. If the terms of a financial asset measured at amortised cost ~~loan, receivable or held-to-maturity investment~~ are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. If a financial asset measured at amortised cost ~~loan, receivable or held-to-maturity investment~~ has a variable interest rate, the discount rate for measuring any impairment loss under paragraph 63 is the current effective interest rate(s) determined under the contract. As a practical expedient, a creditor may measure impairment of a financial asset measured ~~carried~~ at amortised cost on the basis of an instrument's fair value using an observable market price. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

50 Paragraphs AG95 and AG96 are amended as follows:

AG95 A financial asset measured ~~held-to-maturity investment carried~~ at amortised cost may be designated as a hedging instrument in a hedge of foreign currency risk.

AG96 ~~An investment in an~~ A derivative that is linked to and must be settled by delivery of unquoted equity instruments that is not carried at fair value because its fair value cannot be reliably measured ~~or a derivative that is linked to and must be settled by delivery of such an unquoted equity instrument~~ (see paragraph~~s 46 and~~ 47) cannot be designated as a hedging instrument.

51 Paragraph AG114(a) is amended as follows:

AG114 ...

(a) As part of its risk management process the entity identifies a portfolio of items whose interest rate risk it wishes to hedge. The portfolio may comprise only assets, only liabilities or both assets and liabilities. The entity may identify two or more portfolios ~~(e.g. the entity may group its available-for-sale assets into a separate portfolio)~~, in which case it applies the guidance below to each portfolio separately.

52 In the heading above paragraph AG133, the reference to 'paragraphs 103-108B' is amended to 'paragraphs 103-108C'.

Amendments to AASB 1023

53 In paragraphs 15.2, 15.5, 15.5.1 and 15.5.2, the references to 'AASB 139' are replaced with 'AASB 9'.

54 Paragraphs 2.3.1, 15.2.1, 15.2.2, 16.1 and 16.1.1 are amended, and paragraphs 16.1.2, 16.1.3 and 18.4 are added as follows:

2.3.1 AASB 9 *Financial Instruments* requires hybrid contracts that contain financial asset hosts to be classified and measured in their entirety in accordance with the requirements in paragraphs 4.1-4.5 of that Standard. However, AASB 139 requires an entity to separate some embedded derivatives from their host contract where the host contract is outside the scope of AASB 9. Such instruments~~,~~ are measured~~them~~ at *fair value* and ~~include~~ changes in their fair value are included in the statement of comprehensive income. AASB 9 or AASB 139 applies to derivatives embedded in a general insurance contracts unless the embedded derivative is itself a general insurance contract.

15.2.1 An insurer applies AASB ~~13~~9 to its financial assets. Under AASB ~~13~~9 a financial asset is classified and measured at fair value through profit or loss when ~~is a financial asset that meets either of the following conditions~~:

(a) it does not meet the criteria specified in paragraph 4.2 of AASB 9 to be ~~is~~ classified ~~as held for trading~~ at amortised cost; or

(b) it is designated as "at fair value through profit or loss" upon initial recognition in accordance with paragraph 4.5 of AASB 9.~~. An entity may use this designation when it is a contract with an embedded derivative and paragraph 11A of AASB 139 allows the entity to measure the contract as "at fair value through profit or loss"; or when doing so results in more relevant information, because either:~~

~~(i) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or~~

~~(ii) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel (as defined in AASB 124 *Related Party Disclosures*), for example the entity's board of directors and chief executive officer.~~

…

15.2.2 The view adopted in this Standard is that financial assets, within the scope of AASB ~~1~~3~~9~~ that back general insurance liabilities, are permitted to be measured at fair value through profit or loss under AASB ~~1~~3~~9~~. This is because the measurement of general insurance liabilities under this Standard incorporates current information and measuring the financial assets backing these general insurance liabilities at fair value, eliminates or significantly reduces a potential measurement inconsistency which would arise if the assets were classified ~~as available for sale or~~and measured at amortised cost.

16.1 Non-insurance contracts regulated under the *Insurance Act 1973* shall be treated under AASB 9 or AASB 139 to the extent that they give rise to financial assets ~~and~~ or financial liabilities respectively. However, the financial assets and the financial liabilities that arise under these contracts shall be designated as "at fair value through profit or loss", on first application of this Standard, or on initial recognition of the financial assets or financial liabilities, where this is permitted under AASB 9 or AASB 139.

16.1.1 In relation to non-insurance contracts regulated under the Insurance Act, an insurer applies AASB ~~1~~3~~9~~ to its financial assets and AASB 139 to its financial liabilities. ~~Under AASB 139 a financial asset or financial liability at fair value through profit or loss is a financial asset or financial liability that meets either of the following conditions:~~

~~(a) it is classified as held for trading; or~~

~~(b) it is designated as "at fair value through profit or loss" upon initial recognition. An entity may use this designation when it is a contract with an embedded derivative and paragraph 11A of AASB 139 allows the~~

~~entity to measure the contract as "at fair value through profit or loss"; or when doing so results in more relevant information, because either:~~

~~(i) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or~~

~~(ii) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel (as defined in AASB 124 *Related Party Disclosures*), for example the entity's board of directors and chief executive officer.~~

~~AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* permits entities to designate financial assets and financial liabilities as "at fair value through profit or loss" on first application of the Standard.~~

16.1.2 Under AASB 9 a financial asset is classified and measured at fair value through profit or loss when;

(a) it does not meet the criteria specified in paragraph 4.2 of AASB 9 to be classified at amortised cost; or

(b) it is designated as "at fair value through profit or loss" upon initial recognition in accordance with paragraph 4.5 of AASB 9.

16.1.3 Under AASB 139 a financial liability at fair value through profit or loss is a financial liability that meets either of the following conditions:

(a) it is classified as held for trading; or

(b) it is designated as "at fair value through profit or loss" upon initial recognition. An entity may use this designation when it is a contract with an embedded derivative and paragraph 11A of AASB 139 allows the entity to measure the contract as "at fair value through profit or loss"; or when doing so results in more relevant information, because either:

(i) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or

(ii) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel (as defined in AASB 124 *Related Party Disclosures*), for example the entity's board of directors and chief executive officer.

AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* permits entities to designate financial assets and financial liabilities as "at fair value through profit or loss" on first application of the Standard.

18.4 AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, issued in December 2009, amended paragraphs 2.3.1, 15.2, 15.2.1, 15.2.2, 15.5, 15.5.1, 15.5.2, 16.1 and 16.1.1, and paragraphs 18 and 19 in the Appendix to AASB 1023 and added paragraphs 16.1.2 and 16.1.3. An entity shall apply those amendments when it applies AASB 9.

55 In the Appendix to AASB 1023, paragraphs 18 and 19 are amended as follows:

18. …

(d) derivatives that expose one party to financial risk but not insurance risk, because they require that party to make payment based solely on changes in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (see <u>AASB 9 for derivative assets and</u> AASB 139<u> for derivative liabilities</u>);

…

19 If the contracts described in paragraph 18 of this Appendix create financial assets or financial liabilities, they are within the scope of<u> AASB 9 or</u> AASB 139<u> respectively</u>. Among other things, this means that the parties to the contract use what is sometimes called deposit accounting, which involves the following:

…

Amendments to AASB 1038

56 In paragraphs 10.2, 10.5, 10.5.1, 10.6, 10.6.1, 10.7, 10.7.1 and 10.7.2, the references to 'AASB 139' are replaced with 'AASB 9'.

57 Paragraphs 2.2.1, 10.2.1 and 10.2.2 are amended, and paragraph 19.4 is added as follows:

2.2.1 AASB 9 *Financial Instruments* requires hybrid contracts that contain financial asset hosts to be classified and measured in their entirety in accordance with the requirements in paragraphs 4.1-4.5 of that Standard. However, AASB 139 *Financial Instruments: Recognition and Measurement* requires an entity to separate some embedded derivatives from their host contract where the host contract is outside the scope of AASB 9.~~,~~ Such instruments are measured~~ them~~ at *fair value* and~~ include~~ changes in their fair value are included in the statement of comprehensive income. AASB 9 and AASB 139 apply~~ies~~ to derivatives embedded in a life insurance contract unless the embedded derivative is itself a life insurance contract.

10.2.1 An insurer applies AASB ~~13~~9 to its financial assets. Under AASB ~~13~~9 a financial asset is classified and measured at fair value through profit or loss when~~ is a financial asset that meets either of the following conditions~~:

(a) it ~~is classified as held for trading~~does not meet the criteria specified in paragraph 4.2 of AASB 9 to be classified at amortised cost; or

(b) it is designated as "at fair value through profit or loss" upon initial recognition in accordance with paragraph 4.5 of AASB 9.~~ An entity may use this designation when it is a contract with an embedded derivative and paragraph 11A of AASB 139 allows the entity to measure the contract as "at fair value through profit or loss"; or when doing so results in more relevant information, because either:~~

~~(i) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or~~

~~(ii) a group of financial assets, *financial liabilities* or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel (as defined in AASB 124 *Related Party Disclosures*), for example the entity's board of directors and chief executive officer.~~

AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* permits entities to designate financial assets as "at fair value through profit or loss" on first application of the Standard.

10.2.2 The view adopted in this Standard is that, in all but rare cases, financial assets within the scope of AASB ~~13~~9 that back life insurance liabilities or life investment contract liabilities are permitted to be measured at fair value through profit or loss under AASB ~~13~~9. This is because the measurement of life insurance liabilities under this Standard incorporates current information and measuring the financial assets backing these life insurance liabilities at fair value eliminates or significantly reduces a potential measurement inconsistency which would arise if the assets were classified ~~as available for sale or~~and measured at amortised cost. ~~In addition, under AASB 139, a group of financial assets may be designated as at fair value through profit or loss where it is both managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy. In the vast majority of cases, financial assets backing life investment contract liabilities and financial assets backing life insurance liabilities would be managed and their performance would be evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.~~

19.4 AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, issued in December 2009, amended paragraphs 2.2.1, 10.2, 10.2.1, 10.2.2, 10.5, 10.5.1, 10.6, 10.6.1, 10.7, 10.7.1 and 10.7.2. An entity shall apply those amendments when it applies AASB 9.

Amendments to Interpretation 10

58 In the ‘References’ section, a reference to AASB 9 *Financial Instruments* is added.

59 Paragraphs 1, 2, 7 and 8 are amended, paragraph 11 is added and paragraphs 5 and 6 are deleted as follows:

1 An entity is required to assess goodwill for impairment at the end of each reporting period~~, to assess investments in equity instruments and in financial assets carried at cost for impairment at the end of each reporting period~~ and, if required, to recognise an impairment loss at that date in accordance with ~~Accounting Standards~~ AASB 136 *Impairment of Assets*~~ and AASB 139 *Financial Instruments: Recognition and Measurement*~~. However, …

2 The Interpretation addresses the interaction between the requirements of AASB 134 *Interim Financial Reporting* and the recognition of impairment losses on goodwill in AASB 136~~ and certain financial assets in AASB 139~~, and the effect of that interaction on subsequent interim and annual financial statements.

7 The Interpretation addresses the following issue:

Should an entity reverse impairment losses recognised in an interim period on goodwill~~ and investments in equity instruments and in financial assets carried at cost~~ if a loss would not have been recognised, or a smaller loss would have been recognised, had an impairment assessment been made only at the end of a subsequent reporting period?

8 An entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill~~ or an investment in either an equity instrument or a financial asset carried at cost~~.

11 AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, issued in December 2009, amended paragraphs 1, 2, 7 and 8 and deleted paragraphs 5 and 6. An entity shall apply those amendments when it applies AASB 9.

Amendments to Interpretation 12

60 In the 'References' section, a reference to AASB 9 *Financial Instruments* is added.

61 Paragraphs 23-25 are amended and paragraph 28A is added as follows:

23 AASB 7 *Financial Instruments: Disclosures*, AASB 9 *Financial Instruments*, AASB 132 *Financial Instruments: Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* apply to the financial asset recognised under paragraphs 16 and 18.

24 The amount due from or at the direction of the grantor is accounted for in accordance with AASB 9 ~~AASB 139~~ as:

(a) at amortised cost ~~a loan or receivable~~; or

(b) measured at fair value through profit or loss ~~an available-for-sale financial asset; or~~.

~~(c) if so designated upon initial recognition, a financial asset at fair value through profit or loss, if the conditions for that classification are met.~~

25 If the amount due from the grantor is accounted for ~~either as a loan or receivable or as an available-for-sale financial asset~~ at amortised cost, AASB 9 ~~AASB 139~~ requires interest calculated using the effective interest method to be recognised in profit or loss.

28A AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, issued in December 2009, amended paragraphs 23-25. An entity shall apply those amendments when it applies AASB 9.