

Amendments to
IFRS 1 First-time Adoption of
International Financial Reporting Standards and
IAS 27 Consolidated
and Separate
Financial Statements

**Cost of an Investment in a Subsidiary, Jointly Controlled
Entity or Associate**

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

Recognition and measurement

Exemptions from other IFRSs

- 13 An entity may elect to use one or more of the following exemptions:
- (a) ...
 - (ea) investments in subsidiaries, jointly controlled entities and associates (paragraphs 23A and 23B);
 - (f) ...

Investments in subsidiaries, jointly controlled entities and associates

- 23A When an entity prepares separate financial statements, IAS 27 *Consolidated and Separate Financial Statements* requires it to account for its investments in subsidiaries, jointly controlled entities and associates either:
- (a) at cost or
 - (b) in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.
- 23B If a first-time adopter measures such an investment at cost in accordance with paragraph 23A(a), it shall measure that investment at one of the following amounts in its separate opening IFRS statement of financial position:
- (a) cost determined in accordance with IAS 27 or
 - (b) deemed cost. The deemed cost of such an investment shall be its:
 - (i) fair value (determined in accordance with IAS 39) at the entity's date of transition to IFRSs in its separate financial statements or
 - (ii) previous GAAP carrying amount at that date.
- A first-time adopter may choose either (i) or (ii) above to measure its investment in each subsidiary, jointly controlled entity or associate that it elects to measure using a deemed cost.

Designation of previously recognised financial instruments

- 25A IAS 39 permits...

Exceptions to retrospective application of other IFRSs

Non-controlling interests

- 34C A first-time adopter shall apply the following requirements of IAS 27 (as amended in 2008)...

Presentation and disclosure

Use of deemed cost for investments in subsidiaries, jointly controlled entities and associates

- 44A Similarly, if an entity uses a deemed cost in its opening IFRS statement of financial position for an investment in a subsidiary, jointly controlled entity or associate in its separate financial statements (see paragraph 23B), the entity's first IFRS separate financial statements shall disclose:
- (a) the aggregate deemed cost of those investments for which deemed cost is their previous GAAP carrying amount;

- (b) the aggregate deemed cost of those investments for which deemed cost is fair value; and
- (c) the aggregate adjustment to the carrying amounts reported under previous GAAP.

Effective date

47K *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (Amendments to IFRS 1 and IAS 27), issued in May 2008, added paragraphs 13(ea), 23A, 23B and 44A. An entity shall apply those paragraphs for annual periods beginning on or after 1 January 2009. Earlier application is permitted. If an entity applies the paragraphs for an earlier period, it shall disclose that fact.

Amendments to IAS 27 Consolidated and Separate Financial Statements (as amended by Improvements to IFRSs in May 2008)

In paragraph 4, the reference to the 'cost method' is deleted. After paragraph 38, paragraphs 38A–38C are added. After paragraph 45A, paragraphs 45B and 45C are added.

Accounting for investments in subsidiaries, jointly controlled entities and associates in separate financial statements

- 38A** An entity shall recognise a dividend from a subsidiary, jointly controlled entity or associate in profit or loss in its separate financial statements when its right to receive the dividend is established.
- 38B** When a parent reorganises the structure of its group by establishing a new entity as its parent in a manner that satisfies the following criteria:
- (a) the new parent obtains control of the original parent by issuing equity instruments in exchange for existing equity instruments of the original parent;
 - (b) the assets and liabilities of the new group and the original group are the same immediately before and after the reorganisation; and
 - (c) the owners of the original parent before the reorganisation have the same absolute and relative interests in the net assets of the original group and the new group immediately before and after the reorganisation
- and the new parent accounts for its investment in the original parent in accordance with paragraph 38(a) in its separate financial statements, the new parent shall measure cost at the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the date of the reorganisation.
- 38C** Similarly, an entity that is not a parent might establish a new entity as its parent in a manner that satisfies the criteria in paragraph 38B. The requirements in paragraph 38B apply equally to such reorganisations. In such cases, references to 'original parent' and 'original group' are to the 'original entity'.

Effective date and transition

- 45B** *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (Amendments to IFRS 1 and IAS 27), issued in May 2008, deleted the definition of the cost method from paragraph 4 and added paragraph 38A. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 January 2009. Earlier application is permitted. If an entity applies the changes for an earlier period, it shall disclose that fact and apply the related amendments to IAS 18, IAS 21 and IAS 36 at the same time.
- 45C** *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (Amendments to IFRS 1 and IAS 27), issued in May 2008, added paragraphs 38B and 38C. An entity shall apply those paragraphs prospectively to reorganisations occurring in annual periods beginning on or after 1 January 2009. Earlier application is permitted. In addition, an entity may elect to apply paragraphs 38B and 38C retrospectively to past reorganisations within the scope of those paragraphs. However, if an entity restates any reorganisation to comply with paragraph 38B or 38C, it shall restate all later reorganisations within the scope of those paragraphs. If an entity applies paragraph 38B or 38C for an earlier period, it shall disclose that fact.

Appendix Amendments to other IFRSs

Entities shall apply the following amendments to IAS 18, IAS 21 and IAS 36 when they apply the related amendments to paragraphs 4 and 38A of IAS 27.

IAS 18 Revenue

A1 IAS 18 is amended as described below.

In the rubric, the first sentence is amended as follows:

International Accounting Standard 18 *Revenue* (IAS 18) is set out in paragraphs 1–38. All the paragraphs...

Paragraph 32 is amended and paragraph 38 is added as follows.

32 When unpaid interest has accrued before the acquisition of an interest-bearing investment, the subsequent receipt of interest is allocated between pre-acquisition and post-acquisition periods; only the post-acquisition portion is recognised as revenue.

38 *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 27 *Consolidated and Separate Financial Statements*), issued in May 2008, amended paragraph 32. An entity shall apply that amendment prospectively for annual periods beginning on or after 1 January 2009. Earlier application is permitted. If an entity applies the related amendments in paragraphs 4 and 38A of IAS 27 for an earlier period, it shall apply the amendment in paragraph 32 at the same time.

IAS 21 The Effects of Changes in Foreign Exchange Rates

A2 In IAS 21, paragraph 49 is amended as follows:

49 An entity may dispose or partially dispose of its interest in a foreign operation through sale, liquidation, repayment of share capital or abandonment of all, or part of, that entity. A write-down of the carrying amount of a foreign operation, either because of its own losses or because of an impairment recognised by the investor, does not constitute a partial disposal. Accordingly, no part of the foreign exchange gain or loss recognised in other comprehensive income is reclassified to profit or loss at the time of a write-down.

IAS 36 Impairment of Assets

A3 In IAS 36, after paragraph 12(g), a heading and subparagraph (h) are added. After paragraph 140C, paragraph 140D is added.

12 **In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:**

...

Dividend from a subsidiary, jointly controlled entity or associate

(h) for an investment in a subsidiary, jointly controlled entity or associate, the investor recognises a dividend from the investment and evidence is available that:

(i) the carrying amount of the investment in the separate financial statements exceeds the carrying amounts in the consolidated

financial statements of the investee's net assets, including associated goodwill; or

- (ii) **the dividend exceeds the total comprehensive income of the subsidiary, jointly controlled entity or associate in the period the dividend is declared.**

140D *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 27), issued in May 2008, added paragraph 12(h). An entity shall apply that amendment prospectively for annual periods beginning on or after 1 January 2009. Earlier application is permitted. If an entity applies the related amendments in paragraphs 4 and 38A of IAS 27 for an earlier period, it shall apply the amendment in paragraph 12(h) at the same time.