Explanatory Statement

Accounting Standard AASB 128
*Investments in Associates and Joint Ventures*

**August 2011**


# EXPLANATORY STATEMENT

## Reasons for Issuing AASB 128

The International Accounting Standards Board (IASB) has issued IAS 28 *Investments in Associates and Joint Ventures* which supersedes IAS 28 *Investments in Associates* (July 2004, as amended) for annual reporting periods beginning on or after 1 January 2013. The AASB needs to issue AASB 128 *Investments in Associates and Joint Ventures* to enable Australian reporting entities to continue to be compliant with International Financial Reporting Standards in relation to accounting for investments in associates and joint ventures.

## Main Features of AASB 128

The Standard prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. There have been no significant changes to the requirements concerning the accounting for investments in associates and the requirements of the application of the equity method and the key change is the incorporation of the accounting for joint ventures into IAS 28.

## Application Date

AASB 128 is applicable to annual reporting periods beginning on or after 1 January 2013. This Standard may be applied by for-profit entities, but not by not-for-profit entities, to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2013. The AASB will consider promulgating additional guidance for not-for-profit entities by 2013. If a for-profit entity applies this Standard to such an annual reporting period, it shall disclose that fact and apply AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities,* and AASB 127 *Separate Financial Statements* (August 2011),at the same time.

## Consultation Prior to Issuing this Standard

The AASB issued Exposure Draft ED 157 *Joint Arrangements* in October 2007. ED 157 reproduced the proposals included in the IASB’s Exposure Draft ED 9 J*oint Arrangements* (September 2007) without amendment. The Exposure Draft did not directly address the requirements of IAS 28 however the Exposure Draft proposed a venturer recognise its interest in a joint venture using the equity method, as described in IAS 28 *Investments in Associates*.

The AASB received eight submissions from Australian constituents on ED 157. Submissions received were generally supportive.

A Regulation Impact Statement has not been prepared in connection with the issuance of AASB 11 as the amendments made do not have a substantial direct or indirect impact on business or competition.