

Explanatory Statement

Accounting Standard AASB 2014-9 ***Amendments to Australian Accounting Standards – Equity*** ***Method in Separate Financial Statements***

December 2014



Australian Government

**Australian Accounting
Standards Board**

EXPLANATORY STATEMENT

Reasons for Issuing AASB 2014-9

AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements* makes amendments to the following Standards:

- AASB 1 *First-time Adoption of Australian Accounting Standards*,
- AASB 127 *Separate Financial Statements*, and
- AASB 128 *Investments in Associates and Joint Ventures*.

These amendments arise from the issuance of International Financial Reporting Standard *Equity Method in Separate Financial Statements* (Amendments to IAS 27) by the International Accounting Standards Board (IASB) in August 2014, and to make editorial corrections.

Main Features of AASB 2014-9

Main Requirements

This Standard amends AASB 127 and consequentially amends AASB 1 and AASB 128, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements.

Application Date

This Standard applies to annual reporting periods beginning on or after 1 January 2016.

This Standard may be applied by:

- (a) for-profit entities to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2016; and
- (b) not-for-profit entities to annual reporting periods beginning on or after 1 January 2013 but before 1 January 2016.

If an entity applies this Standard to such an annual reporting period in accordance with paragraph (a) or (b), it shall disclose that fact.

Consultation Prior to Issuing this Standard

The AASB issued Exposure Draft ED 246 *Equity Method in Separate Financial Statements* in December 2013 for comment by 24 January 2014.

Five submissions were received by the AASB in respect of the proposals in ED 246 and there was general support for adopting the proposals in Australian Accounting Standards. The AASB considered the comments it received in making its submission to the IASB and in finalising AASB 2014-9.

A Regulation Impact Statement (RIS) has not been prepared in connection with the issue of AASB 2014-9 as the amendments made are minor in nature.

Statement of Compatibility with Human Rights

Prepared in accordance with Part 3 of the
Human Rights (Parliamentary Scrutiny) Act 2011

Accounting Standard AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements*

Overview of the Accounting Standard

The amendments in AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements* allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements.

Human Rights Implications

This Standard is issued by the AASB in furtherance of the objective of facilitating the Australian economy. It does not diminish or limit any of the applicable human rights or freedoms, and thus does not raise any human rights issues.

Conclusion

This Standard is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.