

Explanatory Statement

Accounting Standard AASB 2015-4 *Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent*

January 2015



Australian Government

**Australian Accounting
Standards Board**

EXPLANATORY STATEMENT

Reasons for Issuing AASB 2015-4

AASB 2015-4 *Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent* makes amendments to:

- (a) AASB 127 *Separate Financial Statements*; and
- (b) AASB 128 *Investments in Associates and Joint Ventures*;

to align the relief available in AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* in respect of the financial reporting requirements for Australian groups with a foreign parent.

Main Features of AASB 2015-4

Main Requirements

AASB 2015-4 amends AASB 128 to require that, notwithstanding paragraphs 17 and Aus17.1 of AASB 128, the ultimate Australian entity shall apply the equity method in accounting for interests in associates and joint ventures if either the entity or the group is a reporting entity, or both the entity and group are reporting entities.

Application Date

AASB 2015-4 is applicable to annual reporting periods beginning on or after 1 July 2015. This Standard may be applied by:

- (c) for-profit entities for annual reporting periods beginning on or after 1 January 2005 but before 1 July 2015; and
- (d) not-for-profit entities for annual reporting periods beginning on or after 1 January 2013 but before 1 July 2015.

When an entity applies 2015-4 to such an annual reporting period, it shall disclose that fact.

Consultation Prior to Issuing this Standard

The AASB issued Exposure Draft ED 255 *Financial Reporting Requirements for Australian Groups with a Foreign Parent* in September 2014 for comment by 24 November 2014.

Five submissions were received by the AASB in respect of the proposals in ED 255 and there was general support for adopting the proposals in Australian Accounting Standards. The AASB considered the comments it received in finalising AASB 2015-4.

A Regulation Impact Statement (RIS) has not been prepared in connection with the issue of AASB 2015-4 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

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Overview of the Accounting Standard

AASB 2015-4 *Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent* amends AASB 128 to require that, notwithstanding paragraphs 17 and Aus17.1 of AASB 128, the ultimate Australian entity shall apply the equity method in accounting for interests in associates and joint ventures if either the entity or the group is a reporting entity, or both the entity and group are reporting entities.

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*.