

# **Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent**

**[AASB 127 & AASB 128]**



**Australian Government**

**Australian Accounting  
Standards Board**

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### ACCOUNTING STANDARD

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## BASIS FOR CONCLUSIONS ON AASB 2015-4

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Australian Accounting Standard AASB 2015-4 *Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent* is set out in paragraphs 1 – 8. All the paragraphs have equal authority.

# PREFACE

## Introduction

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

This Standard makes a consequential amendment to AASB 127 *Separate Financial Statements*.

## Main Features of this Standard

### Main Requirements

This Standard 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

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

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

When an entity applies this Standard to such an annual reporting period, it shall disclose that fact.

## ACCOUNTING STANDARD AASB 2015-4

The Australian Accounting Standards Board makes Accounting Standard AASB 2015-4 *Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent* under section 334 of the *Corporations Act 2001*.

Dated Date 30 January 2015

Kris Peach  
Chair – AASB

## ACCOUNTING STANDARD AASB 2015-4

### ***AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS – FINANCIAL REPORTING REQUIREMENTS FOR AUSTRALIAN GROUPS WITH A FOREIGN PARENT***

#### **Objective**

1 The objective of this Standard is to make 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.

#### **Application**

2 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 This Standard applies to annual reporting periods beginning on or after 1 July 2015.

4 This Standard may be applied by:

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

When an entity applies this Standard to such an annual reporting period, it shall disclose that fact.

5 This Standard uses underlining, striking out and other typographical material to identify some of the amendments to a Standard, 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.

#### **Commencement**

6 This Standard commences on the day this Standard is made by the Australian Accounting Standards Board.

#### **Amendments to AASB 127**

7 Paragraph 8 is amended as follows (new text is underlined and deleted text is struck through):

- 8 An entity that is exempted in accordance with paragraphs 4(a), Aus4.1 and Aus4.2 of AASB 10 from consolidation or paragraphs 17, ~~and~~ Aus17.1 and Aus17.2 of AASB 128 (August 2011) from applying the equity method may present separate financial statements as its only financial statements.

## **Amendment to AASB 128**

8 Paragraph Aus17.2 is added as follows:

Aus17.2 Notwithstanding paragraphs 17 and Aus17.1, the ultimate Australian entity shall apply the equity method in accounting for interests in associates and joint ventures in accordance with this Standard when either the entity or the group is a reporting entity, or both the entity and the group are reporting entities.

## BASIS FOR CONCLUSIONS

*This Basis for Conclusions accompanies, but is not part of, AASB 2015-4.*

### Background

- BC1 This Basis for Conclusions summarises the Australian Accounting Standards Board's considerations in reaching the conclusions in AASB 2015-4 *Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent*. Individual Board members gave greater weight to some factors than to others.
- BC2 In September 2014, the Board identified that the requirements of AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* in relation to the requirement for an Australian parent entity to apply the requirements of AASB 10 and/or AASB 128 when either the parent or the group is a reporting entity, or both the parent and the group are reporting entities, were not aligned. Specifically, AASB 10 requires the ultimate Australian parent to prepare consolidated financial statements, even where the entity has a foreign parent that prepares consolidated financial statements that comply with IFRSs, when either the parent or the group is a reporting entity or both the parent and the group are reporting entities. AASB 128 did not include a similar requirement in relation to the application of the equity method by the ultimate Australian parent.
- BC3 The Board noted that this difference arose when issuing AASB 128 in 2011 in which the Board adopted the IFRS wording in IAS 28 paragraph 17(d) without amendment. The superseded AASB 128 *Investments in Associates* (July 2004) included similar relief for parent entities from applying the equity method in accounting for an interest in an associate or joint venture, but limited that relief to parent entities other than the ultimate Australian parent.
- BC4 In December 2014 the Board decided that the relief in AASB 128 should apply to the ultimate Australian entity, rather than the ultimate Australian parent, to better align the requirements in AASB 128 with the relief available in AASB 10.
- BC5 The Board decided to conduct further research before deciding whether to undertake a project to reconsider whether to limit the exceptions in AASB 10 and AASB 128 from presenting consolidated financial statements or applying the equity method to entities other than the ultimate Australian entity. In the interim, the Board decided to amend AASB 128 to require that the ultimate Australian entity apply the equity method in accounting for an interest in an associate or joint venture, to be consistent with the requirement in AASB 10 for the ultimate Australian parent to present consolidated financial statements when either the parent or the group is a reporting entity or both the parent and the group are reporting entities. The amendment aligns the requirements of AASB 10 and AASB 128 in this regard and is substantively consistent with the limitation on the relief previously available to entities under the superseded AASB 128.