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| AASB Standard | AASB 2015-5January 2015 |

Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception

[AASB 10, AASB 12 & AASB 128]



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| The Customer Service OfficerAustralian Accounting Standards BoardLevel 7600 Bourke StreetMelbourne VictoriaAUSTRALIA | **Postal address:**PO Box 204Collins Street WestVictoria 8007AUSTRALIA |
| Phone: (03) 9617 7637Fax: (03) 9617 7608E-mail: publications@aasb.gov.auWebsite: www.aasb.gov.au |  |

## Other Enquiries

Phone: (03) 9617 7600

Fax: (03) 9617 7608

E-mail: standard@aasb.gov.au

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Australian Accounting Standard AASB 2015-5 *Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception* is set out in paragraphs 1–12. All the paragraphs have equal authority.

# Preface

## Introduction

This Standard makes amendments to Australian Accounting Standards AASB 10 *Consolidated Financial Statements,* AASB 12 *Disclosure of Interests in Other Entities* and AASB 128 *Investments in Associates and Joint Ventures*.

These amendments arise from the issuance of International Financial Reporting Standard *Investment Entities: Applying the Consolidation Exception* (Amendments to IFRS 10, IFRS 12 and IAS 28) by the International Accounting Standards Board in December 2014.

## Main Features of this Standard

### Main Requirements

This Standard amends AASB 10, AASB 12 and AASB 128:

(a) to confirm that the exemption from preparing consolidated financial statements set out in paragraph 4(a) of AASB 10 is available to a parent entity that is a subsidiary of an investment entity;

(b) to clarify the applicability of AASB 12 to the financial statements of an investment entity; and

(c) to introduce relief in AASB 128 to permit a non-investment entity investor in an associate or joint venture that is an investment entity to retain the fair value through profit or loss measurement applied by the associate or joint venture to its subsidiaries.

### 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.

# aCCOUNTING STANDARD AASB 2015-5

The Australian Accounting Standards Board makes Accounting Standard AASB 2015-5 *Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception* under section 334 of the *Corporations Act 2001*.

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|  | Kris Peach |
| Dated 30 January 2015 | Chair – AASB |

# aCCOUNTING STANDARD AASB 2015-5

AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS – investment entities: Applying the consolidation exception

## Objective

1. The objective of this Standard is to make amendments to:
	1. AASB 10 *Consolidated Financial Statements*;
	2. AASB 12 *Disclosure of Interests in Other Entities*; and
	3. AASB 128 *Investments in Associates and Joint Ventures*;

as a consequence of the issuance of International Financial Reporting Standard *Investment Entities: Applying the Consolidation Exception* (Amendments to IFRS 10, IFRS 12 and IAS 28) by the International Accounting Standards Board (IASB) in December 2014.

## Application

This Standard applies to:

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;

general purpose financial statements of each other reporting entity; and

financial statements that are, or are held out to be, general purpose financial statements.

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

This Standard may be applied by:

for-profit entities to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2016; and

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, it shall disclose that fact.

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. Ellipses (…) are used to help provide the context within which amendments are made and also to indicate text that is not amended.

## Commencement

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

## Amendments to AASB 10

1. Paragraphs 4, Aus4.1, Aus4.2 and 32 are amended (new text is underlined and deleted text is struck through) and paragraphs 4A–4B are added as follows:
2. 4 An entity that is a parent shall present consolidated financial statements. This Standard applies to all entities, except as follows:
	1. a parent need not present consolidated financial statements if it meets all the following conditions:
		1. it is a wholly-owned subsidiary or is a partially-owned subsidiary of another entity and all its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not presenting consolidated financial statements;
		2. its debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);
		3. it did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; and
		4. its ultimate or any intermediate parent produces ~~consolidated~~ financial statements that are available for public use and comply with ~~International Financial Reporting Standards (~~IFRSs~~)~~, in which subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with this Standard.
	2. ~~post-employment benefit plans or other long-term employee benefit plans to which AASB 119~~ *~~Employee Benefits~~* ~~applies.~~ [deleted by the IASB]
	3. ~~an investment entity need not present consolidated financial statements if it is required, in accordance with paragraph 31 of this Standard, to measure all of its subsidiaries at fair value through profit or loss.~~ [deleted by the IASB]

Aus4.1 Notwithstanding paragraph 4(a)(iv), a parent that meets the criteria in paragraphs 4(a)(i), 4(a)(ii) and 4(a)(iii) need not present consolidated financial statements if its ultimate or any intermediate parent produces ~~consolidated~~ financial statements that are available for public use in which subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with this Standard and:

* 1. the parent and its ultimate or intermediate parent are:
		1. both not-for-profit entities complying with Australian Accounting Standards; or
		2. both entities complying with Australian Accounting Standards – Reduced Disclosure Requirements; or
	2. the parent is an entity complying with Australian Accounting Standards – Reduced Disclosure Requirements and its ultimate or intermediate parent is a not-for-profit entity complying with Australian Accounting Standards.
1. Aus4.2 Notwithstanding paragraphs 4(a) and Aus4.1, the ultimate Australian parent shall present consolidated financial statements that consolidate its investments in subsidiaries in accordance with this Standard when either the parent or the group is a reporting entity or both the parent and the group are reporting entities~~.~~, except if the ultimate Australian parent is required, in accordance with paragraph 31 of this Standard, to measure all of its subsidiaries at fair value through profit or loss.
2. 4A This Standard does not apply to post-employment benefit plans or other long-term employee benefit plans to which AASB 119 *Employee Benefits* applies.
3. 4B A parent that is an investment entity shall not present consolidated financial statements if it is required, in accordance with paragraph 31 of this Standard, to measure all of its subsidiaries at fair value through profit or loss.

32 Notwithstanding the requirement in paragraph 31, if an investment entity has a subsidiary that ~~provides~~ is not itself an investment entity and whose main purpose and activities are providing services that relate to the investment entity’s investment activities (see paragraphs B85C–B85E), it shall consolidate that subsidiary in accordance with paragraphs 19–26 of this Standard and apply the requirements of AASB 3 to the acquisition of any such subsidiary.

1. In Appendix B, paragraphs B85C and B85E are amended as follows (new text is underlined and deleted text is struck through):
2. B85C An investment entity may provide investment-related services (eg investment advisory services, investment management, investment support and administrative services), either directly or through a subsidiary, to third parties as well as to its investors, even if those activities are substantial to the entity, subject to the entity continuing to meet the definition of an investment entity.
3. B85E If an investment entity has a subsidiary that ~~provides~~ is not itself an investment entity and whose main purpose and activities are providing investment-related services or activities that relate to the investment entity’s investment activities, such as those described in paragraphs B85C–B85D, to the entity or other parties, it shall consolidate that subsidiary in accordance with paragraph 32. If the subsidiary that provides the investment-related services or activities is itself an investment entity, the investment entity parent shall measure that subsidiary at fair value through profit or loss in accordance with paragraph 31.
4. In Appendix C, paragraph C2A is amended (new text is underlined and deleted text is struck through) and paragraph C1D is added as follows:

C1D AASB 2015-5 *Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception*, issued in January 2015, amended paragraphs 4, Aus4.1, Aus4.2, 32, B85C, B85E and C2A and added paragraphs 4A–4B. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies those amendments for an earlier period it shall disclose that fact.

C2A Notwithstanding the requirements of paragraph 28 of AASB 108, when this Standard is first applied, and, if later, when AASB 2013-5 and AASB 2015-5 ~~is~~ are first applied, an entity need only present the quantitative information required by paragraph 28(f) of AASB 108 for the annual reporting period immediately preceding the date of initial application of this Standard (the ‘immediately preceding period’). An entity may also present this information for the current period or for earlier comparative periods, but is not required to do so.

## Amendments to AASB 12

1. Paragraph 6 is amended as follows (new text is underlined and deleted text is struck through):
2. 6 This Standard does not apply to:
	1. ...
	2. an entity’s separate financial statements to which AASB 127 *Separate Financial Statements* applies. However~~,~~:

(i) if an entity has interests in unconsolidated structured entities and prepares separate financial statements as its only financial statements, it shall apply the requirements in paragraphs 24–31when preparing those separate financial statements.

(ii) an investment entity that prepares financial statements in which all of its subsidiaries are measured at fair value through profit or loss in accordance with paragraph 31 of AASB 10 shall present the disclosures relating to investment entities required by this Standard.

* 1. ...
1. In Appendix C, paragraph C1C is added as follows:
2. C1C AASB 2015-5 *Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception*, issued in January 2015, amended paragraph 6. An entity shall apply that amendment for annual reporting periods beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.

## Amendments to AASB 128

1. Paragraphs 17, Aus17.1, Aus17.2, 27 and 36 are amended (new text is underlined and deleted text is struck through) and paragraphs 36A and 45D are added as follows:
2. 17 An entity need not apply the equity method to its investment in an associate or a joint venture if the entity is a parent that is exempt from preparing consolidated financial statements by the scope exception in paragraph 4(a), Aus4.1 and Aus4.2 of AASB 10 or if all the following apply:
	1. …

(d) The ultimate or any intermediate parent of the entity produces ~~consolidated~~ financial statements available for public use that comply with IFRSs, in which subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with AASB 10.

Aus17.1 Notwithstanding paragraph 17(d), an entity that meets the criteria in paragraphs 17(b) and 17(c) need not present consolidated financial statements if its ultimate or any intermediate parent produces ~~consolidated~~ financial statements that are available for public use in which subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with AASB 10 and:

* 1. the investor or the joint venturer and its ultimate or intermediate parent are:
1. both not-for-profit entities complying with Australian Accounting Standards; or
2. both entities complying with Australian Accounting Standards – Reduced Disclosure Requirements; or
	1. the investor or the joint venturer is an entity complying with Australian Accounting Standards – Reduced Disclosure Requirements and its ultimate or intermediate parent is a not-for-profit entity complying with Australian Accounting Standards.
3. Aus17.2 Notwithstanding paragraphs 17 and Aus17.1, the ultimate Australian entity with joint control of, or significant influence over, an investee 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~~.~~, except if the ultimate Australian parent is required, in accordance with paragraph 31 of AASB 10, to measure all of its subsidiaries at fair value through profit or loss.
4. 27 A group’s share in an associate or a joint venture is the aggregate of the holdings in that associate or joint venture by the parent and its subsidiaries. The holdings of the group’s other associates or joint ventures are ignored for this purpose. When an associate or a joint venture has subsidiaries, associates or joint ventures, the profit or loss, other comprehensive income and net assets taken into account in applying the equity method are those recognised in the associate’s or joint venture’s financial statements (including the associate’s or joint venture’s share of the profit or loss, other comprehensive income and net assets of its associates and joint ventures), after any adjustments necessary to give effect to uniform accounting policies (see paragraphs 35–36A ~~and 36~~).
5. 36 Except as described in paragraph 36A, ~~I~~if an associate or a joint venture uses accounting policies other than those of the entity for like transactions and events in similar circumstances, adjustments shall be made to make the associate’s or joint venture’s accounting policies conform to those of the entity when the associate’s or joint venture’s financial statements are used by the entity in applying the equity method.
6. 36A Notwithstanding the requirement in paragraph 36, if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate’s or joint venture’s interests in subsidiaries.
7. 45D AASB 2015-5 *Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception*, issued in January 2015, amended paragraphs 17, Aus17.1, Aus17.2, 27 and 36 and added paragraph 36A. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.