

Explanatory Statement

Accounting Standard AASB 2017-7 ***Amendments to Australian Accounting Standards –*** ***Long-term Interests in Associates and Joint Ventures***

December 2017



Australian Government

**Australian Accounting
Standards Board**

EXPLANATORY STATEMENT

Standards Amended by AASB 2017-7

This Standard makes amendments to AASB 128 *Investments in Associates and Joint Ventures* (August 2015).

These amendments arise from the issuance of International Financial Reporting Standard *Long-term Interests in Associates and Joint Ventures* (Amendments to IAS 28) by the International Accounting Standards Board (IASB) in October 2017.

Power to Make Amendments

Under subsection 33(3) of the *Acts Interpretation Act 1901*, where an Act confers a power to make, grant or issue any instrument of a legislative or administrative character (including rules, regulations or by-laws), the power shall be construed as including a power exercisable in the like manner and subject to the like conditions (if any) to repeal, rescind, revoke, amend, or vary any such instrument. Accordingly, the AASB has the power to amend the Accounting Standards that are made by the AASB as legislative instruments under the *Corporations Act 2001*.

Main Features of AASB 2017-7

Main Requirements

This Standard amends AASB 128 to clarify that an entity is required to account for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture but to which the equity method is not applied, using AASB 9 *Financial Instruments* before applying the loss allocation and impairment requirements in AASB 128.

Application Date

AASB 2017-7 applies to annual periods beginning on or after 1 January 2019. Earlier application is permitted.

References to Other AASB Standards

References in this Standard to the titles of other AASB Standards that are legislative instruments are to be construed as references to those other Standards as originally made and as amended from time to time and incorporate provisions of those Standards as in force from time to time.

Consultation Prior to Issuing this Standard

The AASB issued Exposure Draft ED 276 *Annual Improvements to Australian Accounting Standards 2015–2017 Cycle* in January 2017 for comment by 8 March 2017. ED 276 incorporated IASB Exposure Draft ED/2017/1 *Annual Improvements to IFRS Standards 2015–2017 Cycle*. No submissions were received by the AASB in respect of the proposals in ED 276. The AASB did not make a submission to the IASB on ED/2017/1 as no Australian-specific issues were identified by either the AASB or constituents.

The IASB considered the comments it received in finalising the proposed amendments to IAS 28 *Investments in Associates and Joint Ventures*. The IASB clarified that an entity applies IFRS 9 *Financial Instruments* to long-term interests before it applies the loss allocation and impairment requirements of IAS 28. The IASB also developed an example illustrating how the requirements in IAS 28 and IFRS 9 interact with respect to long-term interests. The IASB set an effective date of 1 January 2019, with earlier application permitted.

The AASB considered the amendments made by the IASB to IAS 28 in finalising AASB 2017-7 and the amendments to AASB 128.

A Regulation Impact Statement (RIS) has not been prepared in connection with the issue of AASB 2017-7 as the amendments made do not have a substantial direct or indirect impact on business or competition.

Statement of Compatibility with Human Rights

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

Accounting Standard AASB 2017-7 *Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures*

Overview of the Accounting Standard

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This Standard amends AASB 128 to clarify that an entity is required to account for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture but to which the equity method is not applied, using AASB 9 *Financial Instruments* before applying the loss allocation and impairment requirements in AASB 128.

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*.