

Ballot Drafts – Amending Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation

Issue for Consideration by Board Members

The issue was explained in the memo provided to the Board with the ballot drafts.

Provided below are the Australian Application Guidance tables summarising the exemptions from preparing consolidated financial statements with the relevant cases shaded in grey. Other footnotes to the tables have been omitted here.

Paragraph BC13, of the Basis for Conclusions, is quoted below with potential amendments underlined to address a concern raised by a Board member regarding the justification for the non-availability of relief from consolidation in the highlighted cases. Paragraph BC13 is the same in both AASB 2011-X and AASB 2011-Y except that in AASB 2011-Y it refers to Tier 1 entities.

Extract from AASB 2011-X (page 9)

Same type of entity		
Ultimate or Intermediate Parent	FP	NFP
Parent	FP	NFP
Exemption for the parent	Available*	Available
Different type of entity		
Ultimate or Intermediate Parent	FP	NFP
Parent	NFP	FP
Exemption for the parent	Available*	Not available [^]

[^] When the parent entity's NFP ultimate or intermediate parent is able to claim compliance with IFRSs, the exemption is available.

Extract from AASB 2011-Y (page 9)

Same type of entity – same tier				
Ultimate or Intermediate Parent	FP – Tier 1	FP – Tier 2	NFP – Tier 1	NFP – Tier 2
Parent	FP – Tier 1	FP – Tier 2	NFP – Tier 1	NFP – Tier 2
Exemption	Available*	Available	Available	Available
Same type of entity – different tier				
Ultimate or Intermediate Parent	FP – Tier 1	FP – Tier 2	NFP – Tier 1	NFP – Tier 2
Parent	FP – Tier 2	FP – Tier 1	NFP – Tier 2	NFP – Tier 1
Exemption	Available*	Not available	Available	Not available
Different type of entity – same tier				
Ultimate or Intermediate Parent	FP – Tier 1	FP – Tier 2	NFP – Tier 1	NFP – Tier 2
Parent	NFP – Tier 1	NFP – Tier 2	FP – Tier 1	FP – Tier 2
Exemption	Available*	Available	Not available [^]	Available
Different type of entity – different tier				
Ultimate or Intermediate Parent	FP – Tier 1	FP – Tier 2	NFP – Tier 1	NFP – Tier 2
Parent	NFP – Tier 2	NFP – Tier 1	FP – Tier 2	FP – Tier 1
Exemption	Available*	Not available	Available	Not available

[^] When the parent entity's NFP ultimate or intermediate parent is able to claim compliance with IFRSs, the exemption is available.

Extract from AASB 2011-Y – Basis for Conclusions (potential additions underlined)

BC13 When the ultimate or intermediate parent is a not-for-profit Tier 1 entity, and the parent, investor or venturer is a for-profit Tier 1 entity, the relief is not available where there are differences in the basis of accounting between the not-for-profit and for-profit entities as a result of the not-for-profit entity applying Standards or Aus paragraphs that contain requirements that are inconsistent with IFRS requirements. Extending relief to the for-profit Tier 1 parent, investor or venturer in this case would be beyond the scope of the relief available under IFRSs. However, the relief is available when the not-for-profit entity is not required to apply such inconsistent requirements. This is indicated by footnote to the table in paragraph AG1 of the Australian application guidance added to AASB 127. In this case, the for-profit Tier 1 entity would be able to claim compliance with IFRSs in that the relief is within the scope of the relief available under IFRSs.

Action for Board members

Do members wish to change the approach (i.e. the non-availability of relief) and/ or the justification set out in the Ballot Drafts in respect of this for-profit/not-for-profit case?