



To:	AASB Members	Date:	25 May 2011
From:	Lisa Panetta and Clark Anstis	Agenda Item:	8.1
Subject:	Consolidation, Joint Arrangements & Associates	File:	

Action

To consider issues concerning issuing the five new/revised IASB Standards in Australia.

Attachments

Consolidated Financial Statements

- 8.2.1 Review of IFRS 10 *Consolidated Financial Statements*
- 8.2.2 AASB Submission (Mar. 2009) on IASB Exposure Draft ED 10 *Consolidated Financial Statements* (Dec. 2008)
- *8.2.3 IFRS 10 – Standard
- *8.2.4 IFRS 10 – Basis for Conclusions

Joint Arrangements

- 8.3.1 Review of IFRS 11 *Joint Arrangements*
- 8.3.2 AASB Submission (Jan. 2008) on IASB Exposure Draft ED 9 *Joint Arrangements* (Sept. 2007)
- 8.3.3 AASB Submission (May 2010) on IASB Exposure Draft ED 9
- *8.3.4 IFRS 11 – Standard
- *8.3.5 IFRS 11 – Basis for Conclusions
- *8.3.6 IFRS 11 – Illustrative Examples

Disclosure of Interests in Other Entities

- 8.4.1 Review of IFRS 12 *Disclosure of Interests in Other Entities*
- *8.4.2 IFRS 12 – Standard
- *8.4.3 IFRS 12 – Basis for Conclusions

Separate Financial Statements

- 8.5.1 Review of IAS 27 *Separate Financial Statements*
- *8.5.2 IAS 27 (revised)

Investments in Associates and Joint Ventures

- 8.6.1 Review of IAS 28 *Investments in Associates and Joint Ventures*
- *8.6.2 IAS 28 (revised)

* These voluminous agenda papers have not been printed as many Board members will already have copies. They are available to Board members via the AASB website or else members can request printed copies from the staff.

Overview

The purpose of this agenda item is to provide the Board with a review of the five Standards.

Staff conducted an analysis of IFRS 10, IFRS 11 and IFRS 12 against the exposure drafts and the AASB submissions to the IASB. In addition, staff analysed the revised IAS 27 against the current IAS 27 *Consolidated and Separate Financial Statements* and the revised IAS 28 against the current IAS 28 *Investments in Associates*. The analyses were conducted in order to identify and bring to the Board's attention any significant issues.

In addition, staff have further identified that:

- IFRS 10, IFRS 11 and IAS 28 will need to be modified to incorporate the consolidation and equity accounting exemptions (which are presently being extended to NFP entities and entities applying reduced disclosure requirements under the current Standards AASB 127, AASB 128 and AASB 131);
- in addition to the five Standards, the Board will need to issue an amending Standard to address the consequential amendments to other Standards; and
- due to additional disclosures being included in IFRS 12, the Board will need to issue an exposure draft and subsequently an amending Standard to address reduced disclosure requirements in relation to IFRS 12.

Background

The IASB issued Exposure Draft ED 9 in September 2007 and Exposure Draft ED 10 in December 2008 and the AASB subsequently issued Exposure Drafts in Australia. The AASB received submissions from constituents and these submissions were considered when the Board prepared its submission to the IASB in response to each Exposure Draft.

ED 10 proposed to move the consolidation requirements from IAS 27 to a separate Standard (IFRS 10). As a result, the revised IAS 27 now addresses only the presentation and disclosure requirements of separate financial statements.

The two Exposure Drafts each included proposed disclosure requirements. Subsequently, the IASB decided to issue a separate disclosure Standard (IFRS 12) incorporating many of the disclosures proposed in the Exposure Drafts, and in some cases extending the disclosures.

The five completed new or revised Standards were finally released by the IASB on Friday, 13 May (AEST).

Issues

Details of issues identified are addressed in the attached agenda papers, 8.2.1, 8.3.1, 8.4.1, 8.5.1 and 8.6.1. Staff have identified below any significant issues that the Board should consider in deciding whether the Standards should be issued unamended in Australia.

IFRS 10

Returns – the term ‘returns’ has been adopted as proposed, rather than reverting to the term ‘benefits’. An Aus paragraph is most likely required to address this for not-for-profit entities, as identified in agenda paper 8.2.1, page 2.

IFRS 11

Based on the review of IFRS 11, staff believe that all of the Board’s concerns have been addressed as far as possible at this stage.

The Board’s comments on the accounting when a subsidiary is contributed to a joint arrangement and on foreign currency translation have not been addressed in these Standards, however these are existing issues. Refer to agenda paper 8.3.1, pages 5 and 6.

IFRS 12

Unconsolidated structured entities – the level of disclosure required remains significant. This was a concern raised by the Board. See agenda paper 8.4.1, pages 1-3.

Joint venture disclosures – the level of disclosure required in relation to joint ventures and associates remains significant. This was a concern raised by the Board. Furthermore, the requirement for adjustments and reconciliation of the summarised financial information to the carrying amount of the interests in joint ventures and associates under the equity method may prove to be onerous. See agenda paper 8.4.1, pages 4 and 5.

Summarised financial information of subsidiaries with material non-controlling interests – the Standard requires the summarised financial information to be the amounts before inter-company eliminations, which may be problematic both in terms of the collection of the information by the parent entity and its interpretation by users in the context of consolidated financial statements. See agenda paper 8.4.1, page 6.

IAS 27

A range of changes have been made to the requirements remaining in this Standard, however the changes are minor and are considered appropriate. Refer to agenda paper 8.5.1.

IAS 28

A range of changes have been made to the requirements in this Standard, some of which are significant. Staff consider that the amendments are appropriate. Refer to agenda paper 8.6.1.

Staff Conclusion

Staff do not consider there are any strong impediments to issuing the five Standards in Australia for application by for-profit entities. The present research project on control in the not-for-profit sector will determine the need for Aus paragraphs to be added to the Standards.

Do Board members agree that the five Standards should be issued in Australia unamended for any of the issues raised by the Board in response to the Exposure Drafts or the issues identified by the staff in these agenda papers?
