IPSASB Exposure Draft 52 *Disclosure of Interests in Other Entities*

AASB Staff Issues Paper

Introduction

1 The International Public Sector Accounting Standards Board (IPSASB) issued Exposure Draft (ED) 52 *Disclosure of Interests in Other Entities* in October 2013 and requested comments by 28 February 2014. This issues paper has been prepared by AASB staff with the intention of identifying any issues and comments that could be addressed in a submission to the IPSASB in respect of IPSAS ED 52.

2 The proposals in this ED bring together the disclosures that are currently in IPSAS 6 *Consolidated and Separate Financial Statements*, IPSAS 7 *Investments in Associates* and IPSAS 8 *Interests in Joint Ventures*. ED 52 is based on IFRS 12 *Disclosure of Interests in Other Entities.*

3 The objective of the ED is to propose disclosures that enable users of financial statements to evaluate:

(a) the risks associated with an entity's interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and

(b) the effects of those interests on an entity's financial position, financial performance and cash flows.

4 The most significant change from IPSASs 6-8 disclosures is that ED 52 introduces new disclosure requirements, including disclosures related to investment entities and structured entities that are not consolidated.

5 Aside from terminology changes required for the public sector, there are three main differences between IFRS 12 and ED 52:

(a) Paragraph 13 of ED 52 allows disclosures regarding (i) the methodology used to determine if an entity has control and (ii) the determination of the type of joint arrangement when that arrangement has been structured through a separate vehicle, to be provided via a cross-reference to some other statement, not necessarily the financial statements (this is discussed below in Specific Matter for Comment (SMC) 1);

(b) The definition of a structured entity in ED 52 varies to acknowledge the differing ways in which control may be obtained in the public sector (this is discussed below in SMC 2); and

(c) Paragraph 34 of ED 52 requires a controlling entity that is not itself an investment entity to disclose information in respect of unconsolidated investment entity subsidiaries. This disclosure requirement is not in IFRS 12 because IFRS 10 requires such controlling entities to consolidate their investment entity subsidiaries (this is discussed below in SMC 1).

Specific Matter for Comment 1

Do you agree [with] the proposed disclosures in this draft Standard? If not, why? Are there any additional disclosure that would be useful for users of financial statements?

AASB Staff Analysis

6 Although ED 52 is closely aligned with IFRS 12, staff have concerns regarding paragraph 13 permitting some disclosures to be satisfied via a cross-reference to a report that may be outside the financial statements. In some jurisdictions (as in Australia), statements other than financial statements may be outside the standard setter/regulators' authority. Therefore, we suggest either that the paragraph is removed, or that it specifies that the use of cross-referencing may be subject to jurisdictional restrictions.[1]

7 We also disagree with paragraph 34 that requires a controlling entity of an investment entity that is not itself an investment entity to disclose information in respect of unconsolidated investment entities. We consider that all controlling entities that are not investment entities should consolidate all their controlled entities – see our response to SMC 5 of ED 49 *Consolidated Financial Statements*.

Question 1 to the Board on ED 52

Do Board members agree with the staff comments regarding SMC 1?

Specific Matter for Comment 2

Do you agree with the proposal that entities for which administrative arrangements or statutory provisions are dominant factors in determining control of the entity are not structured entities? If not, please explain why and explain how you would identify entities in respect of which the structured entity disclosures would be appropriate.

AASB Staff Analysis

8 Given that the amendments to AASB 12 *Disclosure of Interests in Other Entities* that were made via AASB 2013-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities* apply the same principles as proposed above, AASB staff agree with this proposal.

Question 2 for the Board on ED 52

Do Board members agree with the staff comments regarding SMC 2?

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1 Note that the AASB has previously deleted similar cross-referencing paragraphs from Australian Accounting Standards (e.g. IFRS 7 paragraph B6).