



<b>To:</b>	<b>AASB Members</b>	<b>Date:</b>	19 August 2014
<b>From:</b>	<b>Nikole Gyles</b>	<b>Agenda Item:</b>	9.1 (M140)
<b>Subject:</b>	<b>Scope exclusions in AASB 10 and AASB 128</b>	<b>File:</b>	

## Action

Consider whether to amend the scope exclusion in AASB 10 *Consolidated Financial Statements* and/or the exemption from applying the equity method in AASB 128 *Investments in Associates and Joint Ventures* for an Australian group that has a foreign parent that prepares consolidated financial statements.

## Background

In August 2011 the Board issued AASB 10 *Consolidated Financial Statements* and AASB 128 (2011) *Investments in Associates and Joint Ventures* as part of the suite of Standards revising accounting requirements for consolidation, joint ventures and off balance sheet arrangements. In issuing AASB 10 the Board carried forward the requirements in AASB 127 *Consolidated and Separate Financial Statements* paragraph Aus10.1, without amendment, as paragraph Aus4.2<sup>1</sup>. The Board did not specifically redeliberate the requirements of the paragraph.

In issuing AASB 128 (2011) the Board adopted the IFRS wording in IAS 28 (2011) paragraph 17(d) without amendment. That is, the Board did not carry forward the related, Australian specific requirement in AASB 128 (2007) (paragraph 13(c)(iv)) that entities are not required to apply the equity method of accounting (or proportionate consolidation) when the ultimate Australian or any intermediate parent of the associate (or venturer) produces consolidated financial statements available for public use that comply with IFRSs. This issue was not specifically discussed by the Board at the time, nor was it specifically highlighted to the Board as a change from the previous requirements in AASB 128 (2007).

## AASB staff analysis

Agenda Paper 9.2 provides AASB staff analysis of the issue, including the feedback received from targeted outreach by AASB staff, and questions for the Board.

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<sup>1</sup> Refer to the Appendix of Agenda Paper 9.2 for text of paragraphs 4–Aus4.2