

***AASB 128 Investments in Associates vs. IFRS for SMEs Section 14
Investments in Associates***

1. Executive Summary

Main differences in recognition, measurement or presentation requirements

Investments in associates for which there is no published price quotation:

- *IFRS for SMEs*: measure using one of the following methods:
 - (a) cost model
 - (b) equity method
 - (c) fair value model
- AASB 128: measure using the equity method.

Investments in associates for which there is a published price quotation:

- *IFRS for SMEs*: measure at fair value through profit or loss
- AASB 128: measure using the equity method.

Disclosure proposals

It is proposed to exclude paragraphs 37(b) to 37(i), 39 and 40 from the Reduced Disclosure Regime (RDR).

2. Analysis of disclosure requirements

<p style="text-align: center;">Text in AASB 128 <i>Investments in Associates</i></p>	<p style="text-align: center;">Text in <i>IFRS for SMEs</i> Section 14 <i>Investments in Associates</i></p>	<p style="text-align: center;">Comment</p>
<p>Disclosure</p> <p>37 The following disclosures shall be made:</p> <ul style="list-style-type: none"> (a) the fair value of investments in associates for which there are published price quotations; (b) summarised financial information of associates, including the aggregated amounts of assets, liabilities, revenues and profit or loss; (c) the reasons why the presumption that an investor does not have significant influence is overcome if the investor holds, directly or indirectly through subsidiaries, less than 20% of the voting or potential voting power of the investee but concludes that it has significant influence; (d) the reasons why the presumption that an investor has significant influence is overcome if the investor holds, directly or indirectly through subsidiaries, 20% or more of the voting or potential voting power of the investee but concludes that it does not have significant influence; (e) the end of the reporting period of the financial statements of an associate, when such financial statements are used in applying the equity method and are as of a date or for a period that is different from that of the investor, and the reason for using a different date or different period; 	<p>Disclosure</p> <p>14.12 An investor in an associate shall disclose the following:</p> <p>...</p> <ul style="list-style-type: none"> (c) the fair value of investments in associates accounted for using the equity method for which there are published price quotations. 	<p>Paragraphs 37(a) and paragraph 14.12(c) of the <i>IFRS for SMEs</i> correspond. Paragraph 37(a) should be retained in the RDR.</p> <p>Paragraphs 37(b), 37(c), 37(d), 37(e), 37(f), 37(g), 37(h) and 37(i) have no equivalent in the <i>IFRS for SMEs</i> and should be excluded from the RDR based on reasoning in paragraph IN3 of this Appendix.</p>

Text in AASB 128 <i>Investments in Associates</i>	Text in <i>IFRS for SMEs</i> Section 14 <i>Investments in Associates</i>	Comment
<p>(f) the nature and extent of any significant restrictions (e.g. resulting from borrowing arrangements or regulatory requirements) on the ability of associates to transfer funds to the investor in the form of cash dividends, or repayment of loans or advances;</p> <p>(g) the unrecognised share of losses of an associate, both for the period and cumulatively, if an investor has discontinued recognition of its share of losses of an associate;</p> <p>(h) the fact that an associate is not accounted for using the equity method in accordance with paragraph 13; and</p> <p>(i) summarised financial information of associates, either individually or in groups, that are not accounted for using the equity method, including the amounts of total assets, total liabilities, revenues and profit or loss.</p>		
<p>38 Investments in associates accounted for using the equity method shall be classified as non-current assets. The investor's share of the profit or loss of such associates, and the carrying amount of those investments, shall be separately disclosed. The investor's share of any discontinued operations of such associates shall also be separately disclosed.</p>	<p>14.12 An investor in an associate shall disclose the following:</p> <p>...</p> <p>(b) the carrying amount of investments in associates (see paragraph 4.2(j)).</p> <p>(c) ...</p> <p>14.14 For investments in associates accounted for by the equity method, an investor shall disclose separately its share of the profit or loss of such associates and its share of any discontinued operations of such associates.</p>	<p>Paragraphs 38 and paragraphs 14.12(b) and 14.4 of the <i>IFRS for SMEs</i> correspond. Paragraph 38 should be retained in the RDR.</p>

<p style="text-align: center;">Text in AASB 128 <i>Investments in Associates</i></p>	<p style="text-align: center;">Text in IFRS for SMEs Section 14 <i>Investments in Associates</i></p>	<p style="text-align: center;">Comment</p>
<p>39 The investor’s share of changes recognised in other comprehensive income by the associate shall be recognised by the investor in other comprehensive income.</p>		<p>Paragraph 39 has no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.</p>
<p>40 In accordance with AASB 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i>, the investor shall disclose:</p> <p>(a) its share of the contingent liabilities of an associate incurred jointly with other investors; and</p> <p>(b) those contingent liabilities that arise because the investor is severally liable for all or part of the liabilities of the associate.</p>		<p>Paragraph 40 has no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.</p>
	<p>Other Information</p> <p>14.12 An investor in an associate shall disclose the following:</p> <p style="padding-left: 20px;">(a) its accounting policy for investments in associates.</p> <p style="padding-left: 20px;">...</p> <p>14.13 For investments in associates accounted for by the cost model, an investor shall disclose the amount of dividends and other distributions recognised as income.</p> <p>14.15 For investments in associates accounted for by the fair value model, an investor shall make the disclosures required by paragraphs 11.41–11.44.</p>	<p>Paragraphs 14.12, 14.13 and 14.15 of the <i>IFRS for SMEs</i> should not be added to the RDR because:</p> <ul style="list-style-type: none"> • disclosure of accounting policies is required by AASB 108. • disclosure of dividends and other distributions is required by AASB 118. • The fair value model is not applied under AASB 128 and is not applicable under the RDR.

3. AASB 128 *Investments in Associates*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 128 *Investments in Associates*, showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

Disclosure

37 The following disclosures shall be made:

- (a) the fair value of investments in associates for which there are published price quotations;
- (b) summarised financial information of associates, including the aggregated amounts of assets, liabilities, revenues and profit or loss;
- (c) the reasons why the presumption that an investor does not have significant influence is overcome if the investor holds, directly or indirectly through subsidiaries, less than 20% of the voting or potential voting power of the investee but concludes that it has significant influence;
- (d) the reasons why the presumption that an investor has significant influence is overcome if the investor holds, directly or indirectly through subsidiaries, 20% or more of the voting or potential voting power of the investee but concludes that it does not have significant influence;
- (e) the end of the reporting period of the financial statements of an associate, when such financial statements are used in applying the equity method and are as of a date or for a period that is different from that of the investor, and the reason for using a different date or different period;
- (f) the nature and extent of any significant restrictions (e.g. resulting from borrowing arrangements or regulatory requirements) on the ability of associates to transfer funds to the investor in the form of cash dividends, or repayment of loans or advances;
- (g) the unrecognised share of losses of an associate, both for the period and cumulatively, if an investor has discontinued recognition of its share of losses of an associate;
- (h) the fact that an associate is not accounted for using the equity method in accordance with paragraph 13; and
- (i) summarised financial information of associates, either individually or in groups, that are not accounted for using the equity method, including the amounts of total assets, total liabilities, revenues and profit or loss .

38 Investments in associates accounted for using the equity method shall be classified as non-current assets. The investor's share of the profit or loss of such associates, and the carrying amount of those investments, shall be separately disclosed. The investor's share of any discontinued operations of such associates shall also be separately disclosed.

39 The investor's share of changes recognised in other comprehensive income by the associate shall be recognised by the investor in other comprehensive income.

40 In accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, the investor shall disclose:

(a) its share of the contingent liabilities of an associate incurred jointly with other investors; and

(b) those contingent liabilities that arise because the investor is severally liable for all or part of the liabilities of the associate.