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| To: | AASB Members | Date: | 12 August 2010 |
| From: | Siva Sivanantham | Agenda Item: | 17.1 |
| Subject: | Parent Entity Disclosures in AASB 101 | File: | – |

Action

Note an issue and staff recommendation about parent entity specific disclosures in paragraph Aus138.1 of AASB 101 *Presentation of Financial Statements* in light of the recent changes made by the *Corporations Amendment (Corporate Reporting Reform) Act 2010*.

Background

Paragraphs Aus138.1 and Aus138.2 of AASB 101 require the following disclosures with regards to audit fee disclosures:

Aus138.1 An entity, other than a group, shall disclose the amounts paid or payable to:

- (a) **the auditor of the entity for an audit or a review of the financial statements of the entity;**
- (b) **the auditor of the entity for non-audit services in relation to the entity, disclosing separately the nature and amount of each of the non-audit services provided by the auditor; and**
- (c) **a related practice of the auditor for non-audit services in relation to the entity, disclosing separately the nature and amount of each category of non-audit service.**

Aus138.2 The following information shall be disclosed in relation to a group, the amounts paid or payable to:

- (a) **the auditor of the parent of the group, for an audit or a review of the financial statements of any entity in the group;**
- (b) **the auditor of the parent of the group, for non-audit services in relation to any entity in the group, disclosing separately the nature and amount of each of the non-audit services provided by the auditor;**
- (c) **a related practice of the auditor of the parent of the group, for non-audit services in relation to any entity in the group, disclosing separately the nature and amount of each of the non-audit services provided by the auditor;**
- (d) **the auditors of the subsidiaries in the group, other than those disclosed in accordance with paragraph Aus126.2(a), for an audit or a review of the financial statements of those subsidiaries;**
- (e) **the auditors of the subsidiaries in the group, other than those disclosed in accordance with paragraphs Aus126.2(b) and (c), for non-audit services in relation to any entity in the group, disclosing separately the nature and amount of each of the non-audit services provided by the auditor; and**

- (f) a related practice of the auditors of the subsidiaries in the group, other than those disclosed in accordance with paragraphs Aus126.2(b) and (c), for non-audit services in relation to any entity in the group, disclosing separately the nature and amount of each of the non-audit services provided by the auditor.

Staff have become aware of an issue that arises as a result of the recent changes made by the *Corporations Amendment (Corporate Reporting Reform) Act 2010*. The Act amends the requirements in section 295(2) of *Corporations Act 2001* so that an entity is required to prepare either:

- (a) consolidated financial statements where required by accounting standards, or
- (b) individual entity financial statements if accounting standards do not require the preparation of consolidated financial statements.

Furthermore, REG 2M.3.01 of *Corporations Regulations 2001* requires that summarised parent entity information be disclosed in the notes to the financial statements of the consolidated entity. Relevant extracts from the *Corporations Act* and *Corporations Regulations* are provided in the Appendix to this memorandum.

Staff think it is unclear whether general purpose financial statements (GPFs) only providing the note disclosures required by REG 2M.3.01, rather than full parent entity GPFs, would also have to comply with paragraph Aus138.1 of AASB 101. While acknowledging the uncertainty, staff are of the view that, literally, the paragraph Aus138.1 disclosures for a parent would need to be disclosed in the group GPFs in order to comply with AASB 101.

If the AASB proceeds with its proposals in AASB ED 200B *Proposed Separate Disclosure Standards* later this year regarding audit fee disclosures, the issues will be removed. ED 200B proposes to relocate the disclosures in paragraphs Aus138.1 and Aus138.2 and to reword them to harmonise with the equivalent New Zealand disclosures. The ED proposes to include the following wording (which refers to an 'entity', rather than a 'parent' or 'group'):

An entity shall disclose in the notes fees to auditors (each auditor if more than one) paid or payable:

- (a) for the audit or review of the financial statements; and
- (b) for all other services performed during the reporting period. An entity shall describe the nature of other services comprising the fees disclosed under this category.

Staff recommendation

Staff recommend taking no action at this stage, and recommend the AASB take the issue into consideration when finalising the revisions to Australian Accounting Standards arising from ED 200B.

Attachment

Agenda Paper 17.2

Extracts from *Corporations Act 2001* (sections 295) and *Corporations Regulations 2001* (REG 2M.3.01)