

AASB Standard

AASB 2014-9

December 2014

Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements

[AASB 1, AASB 127 & AASB 128]



Australian Government

**Australian Accounting
Standards Board**

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ISSN 1036-4803

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BASIS FOR CONCLUSIONS ON IAS 27 – AMENDMENTS
(available on the AASB website)

Australian Accounting Standard AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements* is set out in paragraphs 1 – 11. All the paragraphs have equal authority.

PREFACE

Introduction

This Standard makes amendments to Australian Accounting Standards AASB 1 *First-time Adoption of Australian Accounting Standards*, AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures*.

These amendments arise from the issuance of International Financial Reporting Standard *Equity Method in Separate Financial Statements* (Amendments to IAS 27) by the International Accounting Standards Board (IASB) in August 2014.

Main Features of this Standard

Main Requirements

This Standard amends AASB 127, and consequentially amends AASB 1 and AASB 128, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements.

This Standard also makes editorial corrections to AASB 127.

Application Date

This Standard applies to annual reporting periods beginning on or after 1 January 2016.

This Standard may be applied by:

- (a) for-profit entities to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2016; and
- (b) not-for-profit entities to annual reporting periods beginning on or after 1 January 2013 but before 1 January 2016.

If an entity applies this Standard to such an annual reporting period in accordance with paragraph (a) or (b), it shall disclose that fact.

ACCOUNTING STANDARD AASB 2014-9

The Australian Accounting Standards Board makes Accounting Standard AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements* under section 334 of the *Corporations Act 2001*.

Dated 23 December 2014

Kris Peach
Chair – AASB

ACCOUNTING STANDARD AASB 2014-9

AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS – EQUITY METHOD IN SEPARATE FINANCIAL STATEMENTS

Objective

1 The objective of this Standard is to make amendments to:

- (a) AASB 1 *First-time Adoption of Australian Accounting Standards*;
- (b) AASB 127 *Separate Financial Statements*; and
- (c) AASB 128 *Investments in Associates and Joint Ventures*;

as a consequence of the issuance of International Financial Reporting Standard *Equity Method in Separate Financial Statements* (Amendments to IAS 27) by the International Accounting Standards Board in August 2014, and editorial corrections.

Application

2 **This Standard applies to:**

- (a) **each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;**
- (b) **general purpose financial statements of each other reporting entity; and**

(c) financial statements that are, or are held out to be, general purpose financial statements.

3 This Standard applies to annual reporting periods beginning on or after 1 January 2016.

4 This Standard may be applied by:

(a) for-profit entities to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2016; and

(b) not-for-profit entities to annual reporting periods beginning on or after 1 January 2013 but before 1 January 2016.

If an entity applies this Standard to such an annual reporting period in accordance with paragraph (a) or (b), it shall disclose that fact.

5 This Standard uses underlining, striking out and other typographical material to identify some of the amendments to a Standard, in order to make the amendments more understandable. However, the amendments made by this Standard do not include that underlining, striking out or other typographical material. Ellipses (...) are used to help provide the context within which amendments are made and also to indicate text that is not amended.

Commencement

6 This Standard commences on the day this Standard is made by the Australian Accounting Standards Board.

Amendments to AASB 1

7 Paragraph 39Z is added as follows:

39Z AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements*, issued in December 2014, amended paragraph D14 and added paragraph D15A. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

- 8 In Appendix D, paragraph D14 is amended (new text is underlined and deleted text is struck through) and paragraph D15A is added as follows:

D14 When an entity prepares separate financial statements, AASB 127 requires it to account for its investments in subsidiaries, joint ventures and associates either:

- (a) at cost; ~~or~~
- (b) in accordance with AASB 9; or
- (c) using the equity method as described in AASB 128.

D15A If a first-time adopter accounts for such an investment using the equity method procedures as described in AASB 128:

- (a) the first-time adopter applies the exemption for past business combinations (Appendix C) to the acquisition of the investment.
- (b) if the entity becomes a first-time adopter for its separate financial statements earlier than for its consolidated financial statements, and
 - (i) later than its parent, the entity shall apply paragraph D16 in its separate financial statements.
 - (ii) later than its subsidiary, the entity shall apply paragraph D17 in its separate financial statements.

Amendments to AASB 127

- 9 Paragraphs Aus1.6 and 17 are amended to read as follows (new text is underlined and deleted text is struck through):

Aus1.6 The following do not apply to entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements:

- (a) ...
- (b) **in paragraph 17, the text “~~(other than a parent covered by paragraphs 16 or Aus16.1, or)~~”;** and
- (c) ...

17 **When a parent (other than a parent covered by paragraphs 16–~~Aus16.1, or paragraph 16A~~) or an investor with joint control of, or significant influence over, an investee prepares separate financial statements, the parent or investor shall identify the financial statements prepared in accordance with AASB 10, AASB 11 or AASB 128 (August 2011) to which they relate. The parent or investor shall also disclose in its separate financial statements:**

(a) ...

10 Paragraphs 4–7, 10, 11B and 12 are amended (new text is underlined and deleted text is struck through) and paragraph 18J is added as follows:

4 **The following terms are used in this Standard with the meanings specified:**

...

***Separate financial statements* are those presented by a parent ~~(ie an investor with control of a subsidiary) or an investor with joint control of, or significant influence over, an investee, an entity in which the entity could elect, subject to the requirements in this Standard, to account for its investments are accounted for in subsidiaries, joint ventures and associates either at cost, or in accordance with AASB 9 *Financial Instruments*, or using the equity method as described in AASB 128 *Investments in Associates and Joint Ventures*.~~**

5 The following terms are defined in Appendix A of AASB 10 *Consolidated Financial Statements*, Appendix A of AASB 11 *Joint Arrangements* and paragraph 3 of AASB 128 *Investments in Associates and Joint Ventures*:

- associate
- equity method
- ...

6 Separate financial statements are those presented in addition to consolidated financial statements or in addition to the financial statements of an investor that does not have investments in subsidiaries but has investments in associates or joint ventures in which the investments in associates or joint ventures are required

by AASB 128 to be accounted for using the equity method, other than in the circumstances set out in paragraphs 8–8A. ~~Separate financial statements need not be appended to, or accompany, those statements.~~

7 ~~Financial statements in which the equity method is applied are not separate financial statements. Similarly, the~~ The financial statements of an entity that does not have a subsidiary, associate or joint venturer's interest in a joint venture are not separate financial statements.

10 When an entity prepares separate financial statements, it shall account for investments in subsidiaries, joint ventures and associates either:

- (a) ~~at cost;~~
- (b) ~~in accordance with AASB 9;~~ or
- (c) using the equity method as described in AASB 128.

The entity shall apply the same accounting for each category of investments. Investments accounted for at cost or using the equity method shall be accounted for in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations when they are classified as held for sale or for distribution (or included in a disposal group that is classified as held for sale or for distribution). The measurement of investments accounted for in accordance with AASB 9 is not changed in such circumstances.

11B When a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred, as follows:

- (a) when an entity ceases to be an investment entity, the entity shall account for an investment in a subsidiary; in accordance with paragraph 10, ~~either~~. The date of the change of status shall be the deemed acquisition date. The fair value of the subsidiary at the deemed acquisition date shall represent the transferred deemed consideration when accounting for the investment in accordance with paragraph 10.
 - (i) ~~account for an investment in a subsidiary at cost. The fair value of the subsidiary at the date of the~~

~~change of status shall be used as the deemed cost at that date; or [deleted by the IASB]~~

(ii) ~~continue to account for an investment in a subsidiary in accordance with AASB 9. [deleted by the IASB]~~

(b) when an entity becomes an investment entity, it shall account for an investment in a subsidiary at fair value through profit or loss in accordance with AASB 9. The difference between the previous carrying amount of the subsidiary and its fair value at the date of the change of status of the investor shall be recognised as a gain or loss in profit or loss. The cumulative amount of any ~~fair value adjustment~~ gain or loss previously recognised in other comprehensive income in respect of those subsidiaries shall be treated as if the investment entity had disposed of those subsidiaries at the date of change in status.

12 ~~An entity shall recognise a dividend~~ **Dividends from a subsidiary, a joint venture or an associate are recognised in profit or loss in its the separate financial statements of an entity when its the entity's right to receive the dividend is established. The dividend is recognised in profit or loss unless the entity elects to use the equity method, in which case the dividend is recognised as a reduction from the carrying amount of the investment.**

18J AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements*, issued in December 2014, amended paragraphs 4–7, 10, 11B and 12. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2016 retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

Amendments to AASB 128

11 Paragraph 25 is amended (new text is underlined and deleted text is struck through) and paragraph 45B is added as follows:

25 If an entity's ownership interest in an associate or a joint venture is reduced, but the ~~entity continues to apply the equity method~~ investment continues to be classified either as an associate or a

joint venture respectively, the entity shall reclassify to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

- 45B AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements*, issued in December 2014, amended paragraph 25. An entity shall apply that amendment for annual reporting periods beginning on or after 1 January 2016 retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. Earlier application is permitted. If an entity applies that amendment for an earlier period, it shall disclose that fact.