

AASB 127 Separate Financial Statements: **Tier 2 proposals**

Comments to AASB by 30 November



Australian Government

**Australian Accounting
Standards Board**

Invitation to Comment

Comments on this Tier 2 Exposure Draft ED 217, *AASB 127 Separate Financial Statements: Tier 2 proposals* are requested by 30 November 2011.

Comments should be addressed to:

The Chairman
Australian Accounting Standards Board
PO Box 204
Collins Street West Victoria 8007
AUSTRALIA
E-mail: standard@asb.gov.au

All submissions on possible, proposed or existing financial reporting requirements, or on the standard-setting process, will be placed on the public record unless the Chairman of the AASB agrees to those submissions being treated as confidential. The latter will only occur if the public interest warrants such treatment.

Obtaining a Copy of this Tier 2 AASB Exposure Draft

This Tier 2 AASB Exposure Draft ED 217 is available on the AASB website: www.aasb.gov.au. Alternatively, printed copies of this Supplement are available by contacting:

The Customer Service Officer
Australian Accounting Standards Board
Level 7
600 Bourke Street
Melbourne Victoria
AUSTRALIA

Phone: (03) 9617 7637
Fax: (03) 9617 7608
E-mail: publications@asb.gov.au
Postal address:
PO Box 204
Collins Street West Victoria 8007

Other Enquiries

Phone: (03) 9617 7600
Fax: (03) 9617 7608
E-mail: standard@asb.gov.au

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Reduced Disclosure Requirements

AASB 1053 *Application of Tiers of Australian Accounting Standards* establishes a differential reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements:

- (a) Tier 1: Australian Accounting Standards; and
- (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements (RDR).

Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.

In May 2011, the International Accounting Standards Board (IASB) published IAS 27 *Separate Financial Statements*. IAS 27 prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity presents separate financial statements.

Consistent with its policy of adopting International Financial Reporting Standards (IFRSs), in August 2011 the AASB published AASB 127 *Separate Financial Statements*, which incorporates IASB Standard IAS 27 *Separate Financial Statements*.

This Exposure Draft sets out the disclosures required by AASB 127 from which it is proposed entities applying Tier 2 reporting requirements should be exempt. AASB 127 incorporates many of the disclosure requirements previously included in AASB 127 *Consolidated and Separate Financial Statements* (as amended in 2008) relating to separate financial statements.

ANALYSIS OF PROPOSED DISCLOSURES

The AASB's conclusions in relation to proposed Tier 2 disclosure requirements in this Exposure Draft have been reached after applying its usual approach to the analysis of the disclosures required in AASB 127 compared with disclosures set out in the IASB's *IFRS for SMEs* and application of the 'Tier 2 Disclosure Principles'. Those principles and that analysis are available on the AASB website under [Work in Progress/Reduced Disclosure Requirements](#).

The recognition and measurement requirements of AASB 127 and Section 9 *Consolidated and Separate Financial Statements* of the *IFRS for SMEs* are substantively the same for the purposes of applying Tier 2 Disclosure Principles.

AASB Specific Matters for Comment

The purpose of this Exposure Draft is to seek comment on the disclosure requirements that should apply to Tier 2 entities.

Submissions play an important role in the decisions that the AASB will make in regard to a Standard. The AASB would prefer that respondents supplement their opinions with detailed comments, whether supportive or critical, on the major issues. The AASB regards both critical and supportive comments as essential to a balanced review and will consider all submissions, whether they address all specific matters, additional issues or only one issue.

The AASB would particularly value comments on the following:

1. whether you agree with the AASB disclosure proposals regarding paragraphs 15-17 and RDR17.1 of AASB 127 in relation to Tier 2 entities as set out in the Proposed Reduced Disclosure Requirements section below;
2. whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of these proposals, particularly any issues relating to:
 - (a) not-for-profit entities; and
 - (b) public sector entities;

[Note: This Exposure Draft is seeking comments from the perspective of not-for-profit, including public sector, entities at this time even though AASB 127 is not permitted to be early adopted by these entities.]
3. whether, overall, these proposals would result in financial statements that would be useful to users;
4. whether these proposals are in the best interests of the Australian economy; and
5. unless already provided in response to specific matters for comment 1-4 above, the costs and benefits of the proposals, whether quantitative (financial or non-financial) or qualitative.

Proposed Reduced Disclosure Requirements

Under the proposals in this Exposure Draft, Tier 2 entities would be exempt from making the disclosures in paragraph 16, paragraph Aus16.1, part of the first sentence of paragraph 17, part of paragraph 17(a), paragraph 17(b) and paragraph 17(c) of AASB 127. Paragraph RDR17.1 would be added to Tier 2 disclosure requirements.

The disclosure requirements in AASB 127 are provided below. Entities applying Tier 2 requirements are proposed to be exempted from applying disclosure requirements shown as shaded text.

Proposed Reduced Disclosure Requirements: AASB 127 *Separate Financial Statements*

15 An entity shall apply all applicable Standards when providing disclosures in its separate financial statements, including the requirements in paragraphs 16-17.

16 When a parent, in accordance with paragraphs 4(a), Aus4.1 and Aus4.2 of AASB 10, elects not to prepare consolidated financial statements and instead prepares separate financial statements, it shall disclose in those separate financial statements:

(a) the fact that the financial statements are separate financial statements; that the exemption from consolidation has been used; the name and principal place of business (and country of incorporation, if different) of the entity whose consolidated financial statements that comply with International Financial Reporting Standards have been produced for public use; and the address where those consolidated financial statements are obtainable.

(b) a list of significant investments in subsidiaries, joint ventures and associates, including:

(i) the name of those investees.

(ii) the principal place of business (and country of incorporation, if different) of those investees.

(iii) its proportion of the ownership interest (and its proportion of the voting rights, if different) held in those investees.

(c) a description of the method used to account for the investments listed under (b).

Aus16.1 When a not-for-profit parent, in accordance with paragraphs 4(a), Aus4.1 and Aus4.2 of AASB 10, elects not to prepare consolidated financial statements and instead prepares separate financial statements, it shall disclose in those separate financial statements the disclosures specified in paragraph 16, with the exception that the reference in paragraph 16(a) to ‘International Financial Reporting Standards’ is replaced by a reference to ‘Australian Accounting Standards’.

17 When a parent (other than a parent covered by paragraph 16 or Aus16.1) 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) the fact that the statements are separate financial statements and the reasons why those statements are prepared if not required by law.

(b) a list of significant investments in subsidiaries, joint ventures and associates, including:

(i) the name of those investees.

(ii) the principal place of business (and country of incorporation, if different) of those investees.

(iii) its proportion of the ownership interest (and its proportion of the voting rights, if different) held in those investees.

(c) a description of the method used to account for the investments listed under (b).

The parent or investor shall also identify the financial statements prepared in accordance with AASB 10, AASB 11 or AASB 128 (August 2011) to which they relate.

RDR17.1 A parent or an investor with joint control of, or significant influence over, an investee, that prepares separate financial statements applying Australian Accounting Standards – Reduced Disclosure Requirements, shall disclose the methods used to account for the investment when significant.