

INTACCAUD

*The International Accounting & Auditing
Institute*

29 March 2013

The Chairman
Australian Accounting Standards Board
PO Box 204
Collins Street West Victoria 8007
AUSTRALIA

Dear Sir,

SUBMISSION ON ED 233 - Australian Additional Disclosures – Investment Entities (proposed amendments to AASB 1054)

We support the views expressed under Alternative view 1 in relation to the proposed amendment to AASB 1054. In our opinion, failure to require consolidation of controlled entities based on whether or not the controlling entity is deemed to be an “investing entity” provides an unnecessary loophole and incentive for avoiding consolidations under AASB 10. While we understand this is a pragmatic solution being recommended by the IASB to justify existing practices, the distinction between “investing entities” and other types of controlling entities is meaningless. What other reason can there be for gaining control of another entity other than “investing”?

Consider the paragraph B85N from ED 233 –

In determining whether it (*the controlling entity*) meets the definition of an investment entity, an entity shall consider whether it displays the typical characteristics of one (see paragraph 28). The absence of one or more of these typical characteristics does not necessarily disqualify an entity from being classified as an investment entity but indicates that additional judgment is required in determining whether the entity is an Investment entity.

This effectively allows controlling entities to decide whether they qualify as an “investing” entity or not. The distinction is therefore artificial, spurious and unenforceable, and should not be part of an accounting standard. The simple rule must be – if you control it, you consolidate it.

Yours sincerely



Graeme Macmillan - Principal