



Australian Government
Department of Finance

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Mr Kevin Stevenson
Chairman
Australian Accounting Standard Board
PO Box 204
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Dear Mr Stevenson

ED 246 Equity Method in Separate Financial Statements (proposed amendments to AASB 127)

The Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) welcomes the opportunity to provide comments to the Australian Accounting Standards Board (AASB) on Exposure Draft 246 *Equity Method in Separate Financial Statements AASB 127*.

HoTARAC commends the IASB on this initiative and supports permitting the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. In HoTARAC's view the equity method can be used to faithfully represent these types of investments and should be available to preparers of separate financial reports.

HoTARAC also supports:

- requiring retrospective application in the transition provisions; and
- the proposed consequential amendments to IAS 28 *Investments in Associates and Joint Ventures*

HoTARAC would draw the attention of the AASB to a potential consequence of the broadening of the definition of separate financial statements for entities that only have investment in joint ventures and associates and are not currently eligible for the exemption of paragraph 8 of AAS 127. Entities of this kind that apply the equity method in their financial statements may now find these statements are also classified as separate financial statements and subject to the disclosure requirements of AASB 127. Some clarification of the intent of paragraph 8 of AASB 27 in respect to these entities would be helpful.

AASB Specific Matters for Comment

As noted in paragraph 42(a) (iv) of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, use of the equity method for investment in associates creates a reconciling difference with ABS GFS. Aside from this, HoTARAC has not identified any regulatory issues or other issues specific to public sector entities or Generally Accepted Accounting Principles – Government Finance Statistics harmonisation. HoTARAC believes the proposals would result in financial statements that would be useful to users. HoTARAC has no comment on whether the proposals are in the best interests of the Australian economy.

If you have any queries regarding HoTARAC's comments, please contact Alastair Higham from the Australian Department of Finance on 02 6215 2832.

Yours sincerely



Alastair Higham
On behalf of

**HEADS OF TREASURIES ACCOUNTING AND REPORTING ADVISORY
COMMITTEE**

/ 6 January 2014