

Basis for Conclusions on AASB 2015-4

This Basis for Conclusions accompanies, but is not part of, AASB 128. The Basis for Conclusions was originally published with AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent.

Introduction

- BC1 This Basis for Conclusions summarises the Australian Accounting Standards Board’s considerations in reaching the conclusions in AASB 2015-4 *Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent*. Individual Board members gave greater weight to some factors than to others.
- BC2 In September 2014, the Board identified that the requirements of AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* in relation to the requirement for an Australian parent entity to apply the requirements of AASB 10 and/or AASB 128 when either the parent or the group is a reporting entity, or both the parent and the group are reporting entities, were not aligned. Specifically, AASB 10 requires the ultimate Australian parent to prepare consolidated financial statements, even where the entity has a foreign parent that prepares consolidated financial statements that comply with IFRSs, when either the parent or the group is a reporting entity or both the parent and the group are reporting entities. AASB 128 did not include a similar requirement in relation to the application of the equity method by the ultimate Australian parent.
- BC3 The Board noted that this difference arose when issuing AASB 128 in 2011 in which the Board adopted the IFRS wording in IAS 28 paragraph 17(d) without amendment. The superseded AASB 128 *Investments in Associates* (July 2004) included similar relief for parent entities from applying the equity method in accounting for an interest in an associate or joint venture, but limited that relief to parent entities other than the ultimate Australian parent.
- BC4 In December 2014 the Board decided that the relief in AASB 128 should apply to the ultimate Australian entity, rather than the ultimate Australian parent, to better align the requirements in AASB 128 with the relief available in AASB 10.
- BC5 The Board decided to conduct further research before deciding whether to undertake a project to reconsider whether to limit the exceptions in AASB 10 and AASB 128 from presenting consolidated financial statements or applying the equity method to entities other than the ultimate Australian entity. In the interim, the Board decided to amend AASB 128 to require that the ultimate Australian entity apply the equity method in accounting for an interest in an associate or joint venture, to be consistent with the requirement in AASB 10 for the ultimate Australian parent to present consolidated financial statements when either the parent or the group is a reporting entity or both the parent and the group are reporting entities. The amendment aligns the requirements of AASB 10 and AASB 128 in this regard and is substantively consistent with the limitation on the relief previously available to entities under the superseded AASB 128.