

Explanatory Statement

Accounting Standard AASB 12 *Disclosure of Interests in Other Entities*

August 2011



Australian Government

**Australian Accounting
Standards Board**

EXPLANATORY STATEMENT

Reasons for Issuing AASB 12

The International Accounting Standards Board (IASB) has issued IFRS 12 *Disclosure of Interests in Other Entities* for annual reporting periods beginning on or after 1 January 2013. The AASB needs to issue AASB 12 *Disclosure of Interests in Other Entities* to enable Australian reporting entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity, to continue to satisfy the disclosure objectives of International Financial Reporting Standards.

Main Features of AASB 12

The Standard incorporates the disclosure requirements for entities that have an interest in a subsidiary, a joint arrangement, an associate, or an unconsolidated structured entity.

The Standard focuses on disclosures that would help users better assess the nature and financial effects of an entity's involvement with other entities, and particularly enhance disclosures about consolidated and unconsolidated structured entities.

Application Date

AASB 12 is applicable to annual reporting periods beginning on or after 1 January 2013. This Standard may be applied by for-profit entities, but not by not-for-profit entities, to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2013. The AASB will consider promulgating additional guidance for not-for-profit entities by 2013. If a for-profit entity applies this Standard to such an annual reporting period, it shall disclose that fact and apply AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 127 *Separate Financial Statements* (August 2011) and AASB 128 *Investments in Associates and Joint Ventures* (August 2011), at the same time.

Consultation Prior to Issuing this Standard

The AASB issued Exposure Draft ED 157 *Joint Arrangements* in October 2007 and Exposure Draft ED 171 *Consolidated Financial Statements* in December 2008. ED 157 reproduced the proposals included in the IASB's Exposure Draft ED 9 *Joint Arrangements* (September 2007) and ED 171 reproduced the proposals included in the IASB's Exposure Draft ED 10 *Consolidated Financial Statements* (December 2008) without amendment.

The two Exposure Drafts included the proposed disclosure requirements of an entity with an interest in a joint arrangement and an entity with an interest in a subsidiary respectively.

The AASB received fifteen submissions from Australian constituents on the Exposure Drafts. Submissions received were generally supportive.

Subsequently, upon identifying an opportunity to integrate and make consistent the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities, the IASB decided to present those requirements in a single disclosure Standard (IFRS 12) incorporating many of the disclosures proposed in the Exposure Drafts.

A Regulation Impact Statement has not been prepared in connection with the issuance of AASB 12 as the amendments made do not have a substantial direct or indirect impact on business or competition.