

Explanatory Statement

Accounting Standard AASB 2013-5 ***Amendments to Australian Accounting Standards – Investment*** ***Entities***

August 2013



Australian Government

**Australian Accounting
Standards Board**

EXPLANATORY STATEMENT

Reasons for Issuing AASB 2013-5

AASB 2013-5 *Amendments to Australian Accounting Standards – Investment Entities* makes amendments to the following Australian Accounting Standards:

- AASB 1 *First-time Adoption of Australian Accounting Standards*;
- AASB 3 *Business Combinations*;
- AASB 7 *Financial Instruments: Disclosures*;
- AASB 10 *Consolidated Financial Statements*;
- AASB 12 *Disclosure of Interests in Other Entities*;
- AASB 107 *Statement of Cash Flows*;
- AASB 112 *Income Taxes*;
- AASB 124 *Related Party Disclosures*;
- AASB 127 *Consolidated and Separate Financial Statements*;
- AASB 132 *Financial Instruments: Presentation*;
- AASB 134 *Interim Financial Reporting*; and
- AASB 139 *Financial Instruments: Recognition and Measurement*.

These amendments arise from the issuance of *Investment Entities* by the International Accounting Standards Board in October 2012.

Main Features of AASB 2013-5

Application Date

AASB 2013-5 applies to annual reporting periods beginning on or after 1 January 2014. Early application is permitted for annual reporting periods beginning on or after 1 January 2005 but before 1 January 2014.

Main Requirements

The amendments define an investment entity and require that, with limited exceptions, an investment entity not consolidate its subsidiaries or apply AASB 3 *Business Combinations* when it obtains control of another entity. These amendments require an investment entity to measure unconsolidated subsidiaries at fair value through profit or loss in accordance with AASB 9 *Financial Instruments* in its consolidated and separate financial statements.

The amendments also introduce new disclosure requirements for investment entities to AASB 12 *Disclosure of Interests in Other Entities* and AASB 127 *Separate Financial Statements*.

Consultation Prior to Issuing this Standard

The AASB issued Exposure Draft ED 220 *Investment Entities* in September 2011 for an 80-day public comment period. ED 220 reproduced the proposals in the IASB's Exposure Draft ED/2011/4 *Investment Entities*.

The AASB received 15 submissions from Australian constituents on ED 220. The AASB considered the comments it received in making its submission to the IASB on ED/2011/4 and in finalising AASB 2013-5.

A Regulation Impact Statement (RIS) has been prepared in connection with the issue of this Standard.

Statement of Compatibility with Human Rights

Prepared in accordance with Part 3 of the
Human Rights (Parliamentary Scrutiny) Act 2011

Accounting Standard AASB 2013-5 *Amendments to Australian Accounting Standards – Investment Entities*

Overview of the Accounting Standard

The amendments define an investment entity and require that, with limited exceptions, an investment entity not consolidate its subsidiaries or apply AASB 3 *Business Combinations* when it obtains control of another entity. These amendments require an investment entity to measure unconsolidated subsidiaries at fair value through profit or loss in accordance with AASB 9 *Financial Instruments* in its consolidated and separate financial statements.

The amendments also introduce new disclosure requirements for investment entities to AASB 12 *Disclosure of Interests in Other Entities* and AASB 127 *Separate Financial Statements*.

Human Rights Implications

This Standard is issued by the AASB in furtherance of the objective of facilitating the Australian economy. It does not diminish or limit any of the applicable human rights or freedoms, and thus does not raise any human rights issues.

Conclusion

This Standard is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.