

Explanatory Statement

Accounting Standard AASB 2014-3

Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations

August 2014



Australian Government

**Australian Accounting
Standards Board**

EXPLANATORY STATEMENT

Reasons for Issuing AASB 2014-3

AASB 2014-3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations* makes amendments to AASB 1 *First-time Adoption of Australian Accounting Standards* and AASB 11 *Joint Arrangements*.

These amendments arise from the issuance of International Financial Reporting Standard *Accounting for Acquisitions of Interests in Joint Operations* (Amendments to IFRS 11) by the International Accounting Standards Board (IASB) in May 2014, and the IASB's editorial corrections process.

Main Features of AASB 2014-3

Main Requirements

AASB 2014-3 amends AASB 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require:

- (a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 *Business Combinations*, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and
- (b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.

This Standard also makes an editorial correction to AASB 11.

Application Date

AASB 2014-3 applies to annual reporting periods beginning on or after 1 January 2016. Earlier application is permitted for annual reporting periods beginning on or after 1 January 2005 but before 1 January 2016, provided that AASB 11 is also applied to the same period.

Consultation Prior to Issuing this Standard

The AASB issued Exposure Draft ED 234 *Accounting for Acquisitions of Interests in Joint Operations* in December 2012 for comment by 22 March 2013.

Three submissions were received by the AASB in respect of the proposals in ED 234 and there was general support for adopting the proposals in Australian Accounting Standards. The AASB considered the comments it received in making its submission to the IASB and in finalising AASB 2014-3.

A Regulation Impact Statement (RIS) has not been prepared in connection with the issue of AASB 2014-3 as the amendments made are minor in nature.

Statement of Compatibility with Human Rights

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

Accounting Standard AASB 2014-3 ***Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations***

Overview of the Accounting Standard

The amendments in AASB 2014-3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations* amends AASB 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require:

- (a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 *Business Combinations*, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and
- (b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.

This Standard also makes an editorial correction to AASB 11.

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*.