

Explanatory Statement

Accounting Standard AASB 2015-6

Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities

March 2015



Australian Government

**Australian Accounting
Standards Board**

EXPLANATORY STATEMENT

Reasons for Issuing AASB 2015-6

This Standard makes amendments to AASB 124 *Related Party Disclosures* to extend the scope of that Standard to include not-for-profit public sector entities.

AASB 124 does not presently apply to general purpose financial statements of not-for-profit public sector entities. The AASB noted that the version of AASB 124 issued in December 2009 provides a more appropriate basis for application by not-for-profit public sector entities than earlier versions of the Standard, as transactions between government-related entities of the same jurisdiction are exempted partially from disclosure. Therefore, in furtherance of its policy of promulgating transaction-neutral Standards to the extent feasible, the AASB is amending AASB 124 to require not-for-profit public sector entities to apply the Standard.

Main Features of AASB 2015-6

Main Requirements

The amendments extend the scope of AASB 124 to include application by not-for-profit public sector entities. Implementation guidance is included to assist application of the Standard by not-for-profit public sector entities.

This Standard also makes related amendments to AASB 10 *Consolidated Financial Statements* and AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, and an editorial correction to AASB 124.

Application Date

This Standard applies to annual reporting periods beginning on or after 1 July 2016. Early application is permitted for annual reporting periods beginning on or after 1 January 2005 but before 1 July 2016, except that the amendments to AASB 10 may be applied early only as set out in that Standard.

Consultation Prior to Issuing this Standard

The Board issued Exposure Draft ED 214 *Extending Related Party Disclosures to the Not-for-Profit Public Sector* in July 2011 for comment by 31 January 2012. In addition, public roundtables were conducted in Sydney, Melbourne and Canberra with public sector constituents.

Seven submissions were received by the AASB in respect of the proposals in ED 214, including submissions from the Australasian Council of Auditors-General and Heads of Treasuries Accounting and Reporting Advisory Committee. There was general support for adopting the proposals in Australian Accounting Standards. The AASB considered the comments it received in finalising AASB 2015-6.

A Regulation Impact Statement (RIS) has not been prepared in connection with the issue of AASB 2015-6 as the amendments made do not have a substantial direct or indirect impact on business or competition, or are of a minor or machinery nature.

Statement of Compatibility with Human Rights

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

Accounting Standard AASB 2015-6

Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities

Overview of the Accounting Standard

This Standard makes amendments to AASB 124 *Related Party Disclosures* to extend the scope of that Standard to include not-for-profit public sector entities. This Standard also makes related amendments to AASB 10 and AASB 1049, and an editorial correction to AASB 124.

AASB 124 does not presently apply to general purpose financial statements of not-for-profit public sector entities. The AASB noted that the version of AASB 124 issued in December 2009 provides a more appropriate basis for application by not-for-profit public sector entities than earlier versions of the Standard, as transactions between government-related entities of the same jurisdiction are exempted partially from disclosure. Therefore, in furtherance of its policy of promulgating transaction-neutral Standards to the extent feasible, the AASB is amending AASB 124 to require not-for-profit public sector entities to apply the Standard.

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*.