

# INVESTMENT ENTITY CONSOLIDATION EXEMPTION FINALLY APPROVED IN AUSTRALIA

IN OCTOBER 2012, THE INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB) ISSUED AMENDMENTS TO IFRS 10 *CONSOLIDATED FINANCIAL STATEMENTS* WHEREBY INVESTMENT ENTITIES WOULD NOT CONSOLIDATE THEIR MAJORITY-OWNED INVESTMENTS, BUT RATHER MEASURE THESE AT FAIR VALUE THROUGH PROFIT OR LOSS.

Refer to [Accounting News](#), November 2012 for details of the amendments.

The Australian Accounting Standards Board (AASB) has taken longer than usual to issue these changes as Australian amendments because a number of AASB board members were concerned about the impact a loss of consolidation information would have on decision-making by users of financial statements. This resulted in the AASB issuing ED 233 *Australian Additional Disclosures – Investment Entities* in December 2012, which proposed that consolidated financial statements be included in the notes to the financial statements, showing what the consolidated picture would look like if the investment entity's controlled entities had been consolidated.

ED 233 received a considerable amount of negative feedback, questioning the rationale to impose an additional burden on Australian investment entities, compared with their international counterparts.

After taking into account feedback received on ED 233, and despite four dissenting views of board members, the AASB decided to issue these investment entity amendments in August 2013 with **no additional Australian disclosures**. These amendments are included in AASB 2013-5 *Amendments to Australian Accounting Standards – Investment Entities*.

Kevin Stevenson, Chairman of the AASB, said:

"These amendments have been introduced after consideration of the feedback we have received from constituents and in the interest of remaining an IFRS compliant jurisdiction. Some members of the AASB remain sceptical about the loss of consolidation information and its impact on making decisions about the performance and financial position of investment entities. The AASB will monitor the implementation of AASB 2013-5 closely with a view to considering whether additional disclosures might be warranted at a later stage."

These amendments are effective from 1 January 2014 with early adoption permitted, providing that AASB 10 *Consolidated Financial Statements* has also been early adopted.

