

# Technical Accounting Alert

## New Consolidation Standards Issued

### Introduction

The purpose of this alert is to provide a brief summary of the five new standards released by the IASB dealing with group issues and off-balance sheet activity.

### Overview

#### Five new standards issued

The IASB has published the following five new Standards dealing with group issues and off-balance sheet activity:

- IFRS 10 *Consolidated Financial Statements*
- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosure of Interests in Other Entities*
- IAS 27 (Revised) *Separate Financial Statements*
- IAS 28 (Revised) *Investments in Associates and Joint Ventures*.

A brief summary of these Standards is set out below.

#### IFRS 10 Consolidated Financial Statements

IFRS 10 supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities*. It introduces a new, principle-based definition of control which will apply to all investees to determine the scope of consolidation.

Traditional control assessments based on majority ownership of voting rights will very rarely be affected. However, 'borderline' consolidation decisions will need to be reviewed and some will need to be changed - potentially with a substantial impact.

#### IFRS 11 Joint Arrangements

IFRS 11 supersedes IAS 31 *Interests in Joint Ventures*. It replaces IAS 31's three categories of 'jointly controlled entities', 'jointly controlled operations' and 'jointly controlled assets' with two new categories - 'joint operations' and 'joint ventures'. The option of using proportionate consolidation for joint ventures that was previously included in IAS 31 has been eliminated (equity accounting is now required for all joint ventures).

#### IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 combines the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities within a comprehensive disclosure standard.

It aims to provide more transparency on 'borderline' consolidation decisions and enhance disclosures about unconsolidated structured entities in which an investor or sponsor has involvement.

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**IAS 27 (Revised) Separate Financial Statements**

Consequential changes have been made to IAS 27 as a result of the publication of the new IFRSs. IAS 27 will now solely address separate financial statements, the requirements for which are substantially unchanged.

**IAS 28 (Revised) Investments in Associates and Joint Ventures**

IAS 28 continues to prescribe the mechanics of equity accounting. Changes to its scope have however been made as a result of the publication of IFRS 11.

**Grant Thornton comment**

We welcome the publication of both IFRS 10 and IFRS 11. While IFRS 10 will not necessarily achieve a clear outcome in some borderline cases, it will provide a useful framework for making consolidation decisions. IFRS 11 meanwhile addresses concerns that the legal form of the arrangement had been the critical determinant of the accounting for joint arrangements and, by eliminating proportionate consolidation, will increase the comparability in how joint ventures are accounted for. The new disclosure requirements of IFRS 12 have been designed to complement IFRS 10 and IFRS 11 and will improve.

For further details in relation to these standards, please refer to the [Special Edition of IFRS News on new consolidation standards](#).

**Further information**

For further information on any of the information included in this TA alert, please contact your local Grant Thornton Australia contact or a member of the National Audit Support team at [NAS@grantthornton.com.au](mailto:NAS@grantthornton.com.au)