

Technical Accounting Alert

AASB issues consolidation exception for investment entities

Introduction

The Australian Accounting Standards Board (AASB) has issued [AASB 2013-5](#) *Amendments to Australian Accounting Standards – Investment Entities*. These amendments provide an exception to the consolidation requirements in AASB 10 *Consolidated Financial Statements* and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them.

The amendments

AASB 2013-5 incorporates International Financial Reporting Standard *Investment Entities* (Amendments to IFRS 10, IFRS 12 and IAS 27) issued by the International Accounting Standards Board (IASB) in October 2012.

The issuance of AASB 2013-5 follows the AASB's consideration of the feedback on its Exposure Draft ED 233 *Australian Additional Disclosures – Investment Entities* (which was issued on 21 December 2012 and open for comment until 29 March 2013). ED 233 proposed to introduce the IASB amendments for Australian investment entities and to require Australian additional disclosures in the form of consolidated financial statements. However, following the consideration of responses to ED 233, the AASB decided to adopt the IASB's amendment without the Australian additional disclosures.

The amendments in AASB 2013-5 provide an exception to consolidation to investment entities and require them to measure unconsolidated subsidiaries at fair value through profit or loss in accordance with AASB 9 *Financial Instruments* (or AASB 139 *Financial Instruments: Recognition and Measurement* where AASB 9 has not yet been adopted). The amendments also introduce new disclosure requirements for investment entities that have subsidiaries.

These amendments apply to investment entities, whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. Examples of entities which might qualify as investment entities would include Australian superannuation entities, listed investment companies, pooled investment trusts and Federal, State and Territory fund management authorities.

For further information, refer to our [TA Alert 2012-10](#) *IASB issues exception to consolidation for investment entities*.

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Effective date and transition

The amendments are effective from 1 January 2014 with early adoption permitted.

Action required

Entities should consider the impact of this amendment on their financial statements for annual periods beginning on or after 1 January 2014. Entities should also consider and disclose the likely impact of this amendment in their 30 June 2013 financial reports accordance with paragraph 30 of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

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.