

Technical Accounting Alert

AASB issues guidance on determining control in the Not-for-Profit sector

Introduction

The Australian Accounting Standards Board (AASB) has issued [AASB 2013-8](#) *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities*.

AASB 2013-8 adds an appendix to AASB 10 *Consolidated Financial Statements* to explain and illustrate how the principles in AASB 10 apply from the perspective of not-for-profit (NFP) entities in the private and public sectors, particularly to address circumstances where a for-profit perspective does not readily translate to a not-for-profit perspective. Similarly, it adds an appendix to AASB 12 *Disclosure of Interests in Other Entities*, in relation to structured entities.

These appendices do not apply to for-profit entities or affect their application of AASB 10 and AASB 12.

For more general guidance on AASB 10, please refer to our previous publication [Under control?: A Practical guide to applying IFRS 10 Consolidated Financial Statements](#) (note that IFRS 10 is the international equivalent of AASB 10).

Background

In August 2011, the AASB issued AASB 10 (along with AASB 11 *Joint Arrangements*, AASB 12, revised AASB 127 *Separate Financial Statements* and revised AASB 128 *Investments in Associates and Joint Ventures*) for application by both for-profit entities and NFP entities (whether in the private sector or the public sector) to reporting periods beginning on or after 1 January 2013. NFP entities were not permitted to apply the Standard early, pending the development of AASB's implementation guidance to assist them in applying AASB 10.

In December 2012, the AASB deferred the application of AASB 10 (and AASB 11, AASB 12, revised AASB 127 and revised AASB 128) by NFP entities until 1 January 2014. However, NFP entities were permitted to early adopt these requirements to reporting periods beginning on or after 1 January 2013.

In March 2013, the AASB issued [ED 238](#) *Consolidated Financial Statements – Australian Implementation Guidance for Not-for-Profit Entities* for public comments by 30 June 2013.

Following the redeliberation of comments received on ED 238, the AASB has now issued its final NFP implementation guidance in the form of AASB 2013-8.

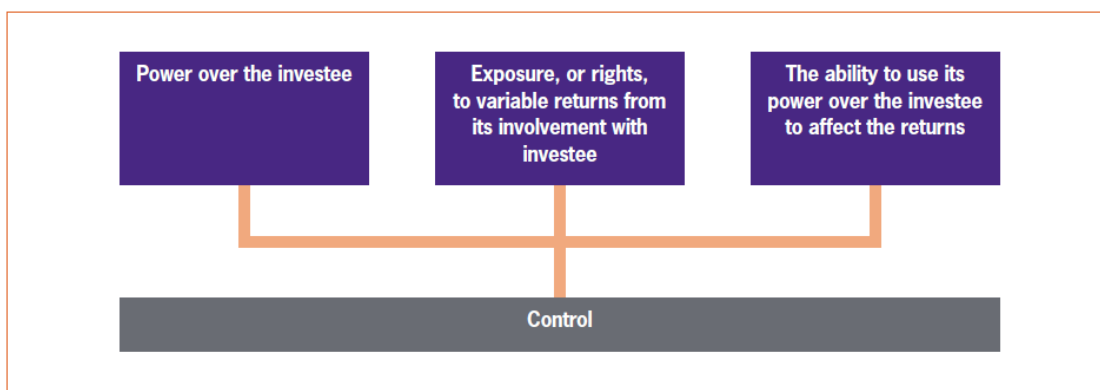
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The amendments

The amendments to AASB 10 add Appendix E *Australian Implementation Guidance for Not-for-Profit Entities* as an integral part of that Standard. The appendix explains various principles in AASB 10 regarding the criteria for determining whether one entity controls another entity from the perspective of not-for-profit entities, and illustrates the principles with examples.

Appendix E covers aspects of the three criteria set out in paragraph 7 of AASB 10 for control of an investee by an investor: power over the investee, returns to the investor, and the link between power and returns.



The basic terms ‘investor’ and ‘investee’ in AASB 10 are explained in the appendix as entities that have a relationship in which control of one entity (the investee) by the other (the investor) might arise. The appendix does not replace or revise the terminology used in AASB 10, but explains its application in the not-for-profit private and public sectors.

The amendment to AASB 12 adds Appendix E *Australian Implementation Guidance for Not-for-Profit Entities* as an integral part of that Standard. The appendix explains the application of the definition of ‘structured entity’ by not-for-profit entities.

This Standard also amends AASB 1049 *Whole of Government and General Government Sector Financial Reporting* to replace references to the superseded AASB 127 *Consolidated and Separate Financial Statements* with references to AASB 10 or AASB 12. In addition, AASB 1049 is amended so that General Government Sector financial statements are not required to comply with the disclosure requirements of AASB 12.

Effective date and transition

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

Action required

NFP entities should consider this implementation guidance when assessing control under AASB 10 for annual reporting periods beginning on or after 1 January 2014.

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.