



# Board Meeting Summary Paper

**Subject:** AGS 1032 "The Audit Implications of Accounting for Investments in Associates"  
**Date:** 19 October 2009

<b>AUASB AGENDA ITEM NO. 15(a)</b>
<b>Meeting Date: 26-27 October 2009</b>

**Action Required**

**For Information Purposes Only**

## Agenda Item Objectives

To present the AUASB will an updated draft of Guidance Statement XXX for second read through which takes into account comments made by the Board at the July meeting.

## Background

AGS 1032 was last updated and reissued by the former AuASB in July 2002. Since that time the Accounting Standard AASB 128 *Investments in Associates* has been compiled for changes and amended up to and including 28 June 2007. The amended accounting standard was issued by the AASB on 27 October 2007. The objective of the changes was to reduce or eliminate alternatives, redundancies and conflicts within Standards, to deal with some convergence issues and to make other improvements.

## Matters to Consider

Qn 1: At the 20 -21 July AUASB Meeting there was no consensus from the Board as to whether the topic of this Guidance Statement was appropriate/relevant going forward and whether it was too specific to a particular Accounting Standard. There was further discussion about whether this Guidance Statement XXX should be restructured to discuss the audit implications for equity accounting concepts?

From further discussion with the Technical Group it was felt that this guidance statement was still relevant and useful especially in the area of Audit Evidence issues around:

- Identification of Associates;
- Information from Associates; and
- Reliability of the Information Provided about an Associate

These areas are not specifically covered in ASA 500 *Audit Evidence* or ASA 600 *Special Considerations – Audit of a Group Financial Report (including the work of Component Auditors)* as this only relates to a Group.

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It was also noted that GS 001 Concise Financial Reports revised in December 2008 is directly related to AASB 1039 Concise Financial Reports and directly references AASB 1039 requirements and interpretations.

Further discussions were also held with the AASB as to other entities that may be required to be equity accounted. At this time the only other entity that is permitted to be equity accounted is a Joint Venture under AASB 131 *Interests in Joint Ventures*, however the preferred method under this standard is proportionate consolidation.

Therefore the Technical Group felt that the guidance statement application should remain linked only to associates under AASB 128 *Investments in Associates* noting that the same audit issues and principles may be applied to the audit of a Joint Venture – refer paragraph 6 in the Introduction.

Qn 2: Should Guidance Statement XXX also discuss the issues for a Review as well as an Audit?

The guidance statement deals with audit issues and principles that are equally applicable in a review of a financial report that may include an investment in an associate. A separate section on review engagements has been included in the draft Guidance Statement XXX at paragraph 32 – 34 and reference to the application of ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* and its appendices made where appropriate.

**Staff Recommendations**

The AUASB Technical group recommend that Guidance Statement XXX be updated and reissued as a new Guidance Statement taking into account the changes noted in the second draft.

**Material Presented**

- Agenda Item 15(a) Board Meeting Summary Paper
- Agenda Item 15(a).1 GS XXX “The Audit Implications of Accounting for Investments in Associates”
- Agenda Item 15(a).2 AGS 1032 “The Audit Implications of Accounting for Investments in Associates”  
*(electronic copy only)*

**Action Required**

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Read and comment on the 2nd draft of GS XXX “The Audit Implications of Accounting for Investments in Associates”.	Comments from AUASB	AUASB	26 -27 October	

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