

PRESS RELEASE

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IASB completes improvements to accounting requirements for off balance sheet activities and joint arrangements

The International Accounting Standards Board (IASB) today completed its improvements to the accounting requirements for off balance sheet activities and joint arrangements by issuing IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*.

The completion of this review brings the accounting treatment for off balance sheet activities in International Financial Reporting Standards (IFRSs) and US generally accepted accounting principles (GAAP) broadly into alignment, and concludes an important element of the IASB's comprehensive response to the financial crisis.

- IFRS 10 *Consolidated Financial Statements* builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.
- IFRS 11 *Joint Arrangements* provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities.
- IFRS 12 *Disclosure of Interests in Other Entities* is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

Commenting on the announcement, Sir David Tweedie, Chairman of the IASB, said:

These improvements tighten up the reporting requirements for the consolidation of subsidiaries and special purpose vehicles, and require the substance of joint arrangements to be revealed. The comprehensive disclosure requirements will help investors to understand better risks associated with the creation or management of special purpose vehicles.

As a package, these changes will provide a check on off balance sheet activities and give investors a much clearer picture of the nature and extent of a company's involvement with other entities.

Further information, including downloadable podcast summaries of the projects and feedback statements that explain how the IASB responded to feedback received during the consultation process, are available from the IASB website.

IFRS 10 *Consolidated Financial Statements* replaces SIC-12 *Consolidation—Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements*.

IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities—Non-monetary Contributions by Venturers*.

IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities* are effective from 1 January 2013. Earlier application is permitted.

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Notes for editors

About the IASB

The IASB was established in 2001 and is the standard-setting body of the IFRS Foundation, an independent private sector, not-for-profit organisation. The IASB is committed to developing, in the public interest, a single set of high quality, global accounting standards that provide high quality transparent and comparable information in general purpose financial statements. In pursuit of this objective the IASB conducts extensive public consultations and seeks the co-operation of international and national bodies around the world. The IASB has 15 full-time members drawn from eleven countries and with a variety of professional backgrounds. By 2012 the IASB will be expanded to 16 members. Board members are appointed by and accountable to the Trustees of the IFRS Foundation, who are required to select the best available combination of technical expertise and diversity of international business and market experience. In their work the Trustees are accountable to a Monitoring Board of public capital market authorities.