

Derecognition of Financial Assets under International Financial Reporting Standards : Interaction with Consolidation of Special Purpose Entities

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This paper discussed interaction between derecognition of financial assets and consolidation of SPEs (Special Purpose Entities) under International Financial Reporting Standards. IASB have been considering the interaction over more than decade. As a result, IASB made the decision to introduce “Derecognition is assessed at the consolidated level” on IAS 39 (2003). On the grounds of this notion was to compatible with control concept on derecognition and consolidation. This concept was continuing

on Exposure draft on Derecognition (2009). In contrast, Alternative view on Exposure draft was not considered the interaction, as similar to IAS 39 (1998). The basis of alternative view was the accounting consequence provided when both accounting procedures were applied. To respect an original meanings of financial components approach (control approach), it is supported to accept derecognition of financial asset is assessed at the consolidated (reporting entity) level.