



Project:	Forthcoming international pronouncements	Meeting	AASB December 2016 (M155)
		Date	14 December 2016
Topic:	Consider how to finalise ED 272, ED 273 and DI/2015/2	Agenda Item:	14.1
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		Decision-Making:	High
		Project Status:	Issuance of Standard and Interpretation

Introduction and objective of this paper

- 1 The objective of this paper is to seek board's decision on how to finalise AASB:
 - (a) ED 272 *Transfers of Investment Property* (Proposed amendments to AASB 140);
 - (b) ED 273 *Annual Improvements to IFRSs 2014-2016 Cycle*; and
 - (c) DI/2015/2 *Foreign Currency Transactions and Advance Consideration*.

Link to AASB and IFRS IC project summaries

- 2 Links below provide the AASB project summaries for:
 - (a) ED 272
http://www.aasb.gov.au/admin/file/content102/c3/Transfers_of_Investment_Property_Project_Summary.pdf
 - (b) ED 273
http://www.aasb.gov.au/admin/file/content102/c3/Annual_Improvements_2014-2016_Project_Summary.pdf
- 3 The IFRS IC project summary below includes links to the Draft Interpretation, discussion and papers, comment letters received, and the decisions from the IFRS IC:

DI/2015/2:
<http://www.ifrs.org/Current-Projects/IASB-Projects/date-of-transaction-identifying-applicable-exchange-rate-revenue-recognition/Pages/default.aspx>

ED 272 *Transfers of Investment Property* (Proposed amendments to AASB 140)

- 4 ED 272 incorporates IASB ED/2015/9 *Transfers of Investment Property (Proposed amendments to IAS 40)*, which proposed to amend paragraph 57 of IAS 40 to:
- (a) state that an entity shall transfer a property to, or from, investment property when, and only when, there is a change in use of a property supported by evidence that a change in use has occurred; and
 - (b) re-characterise the list of circumstances set out in paragraph 57(a)–(d) as a non-exhaustive list of examples of evidence that a change in use has occurred instead of an exhaustive list.
- 5 The IASB is expected to issue an amending standard incorporating ED/2015/9 in December 2016.

Changes to the proposed amendments

- 6 The IASB made minor changes to the proposed amendments in response to feedback it had received on the ED. The majority of the amendments further clarify the proposed requirements in the ED.
- 7 Changes of note to the proposed amendments are outlined below:

Amendments to paragraph 57 of IAS 40

- (a) Clarify that a change in management's intentions, in isolation, does not provide evidence of a change in use;
- (b) Amend two of the examples in paragraph 57 of IAS 40 so that they could relate to property under construction or development as well as completed property; and

Transition approaches when first applying the proposed amendments

- (c) Require a full retrospective approach in accordance with IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors*
 - (d) Adopted an approach for which the entity:
 - (i) would reassess the classification of property to reflect its use at the date of transition; and
 - (ii) would apply the proposed amendments to changes in use that occur after the date of transition.
 - (e) Require entities to disclose information about any reclassification of property as a result of applying the transition approach in d(ii) above.
- 8 In July 2016 the IASB concluded that the above changes are not substantial. Therefore, the requirements did not need to be re-exposed. AASB staff agree with that rationale.

ED 272 comment letters received and AASB submission on IASB ED/2015/9 *Transfers of Investment Property* (Proposed amendments to IAS 40)

- 9 The AASB received five comment letters¹ to ED 272.² Comment letters expressed general support for the proposals.
- 10 The AASB submission³ also agreed with the IASB's proposed amendments. However, the AASB submission recommended prospective, rather than retrospective, application of the proposed amendments.

Staff views

- 11 Acknowledging the AASB submission and feedback received from Australian constituents, staff recommend the Board finalise the project by making an amending standard incorporating the forthcoming IFRS *Transfers of Investment Property (Proposed amendments to AASB 140)*, out-of-session, after the IFRS is issued and our Office of Best Practice Regulation (OBPR) process is completed.
- 12 Staff expect the IFRS to require the additional disclosure as noted in paragraph 7(e) above. The AASB Reduced Disclosure Requirements (RDR) project team will consider whether Tier 2 entities should provide this additional disclosure as part of that project. Depending on when the IFRS is published, a proposal on whether Tier 2 entities would need to comply with this disclosure would be included in the forthcoming RDR Exposure Draft, or else considered separately.
- 13 Staff do not consider that any not-for-profit (NFP) or public sector specific modification is needed as the forthcoming amendments are clarifications to existing requirements that apply to both for-profit and not-for-profit entities and staff have not identified any issue that warrants modifying an IFRS for NFP or public sector entities.

Questions for Board members

- Q1 Do any Board members intend to dissent from the making of an Amending Standard incorporating the forthcoming IFRS *Transfers of Investment Property (Proposed amendments to IAS 40)*?
- Q2 Do Board members agree with the staff recommendation to finalise an Amending Standard out-of-session?

1 The comment letters are available on the AASB's website at <http://www.aasb.gov.au/Work-In-Progress/Pending.aspx?id=1971>. Note to board members: comment letters on ED 272 are also available in the "Supporting documents folder" in Dropbox.

2 Comment letters were received from CPA Australia, Deloitte, Ernst & Young, Institute of Public Accountants and Pitcher Partners. The CPA Australia and Pitcher Partners directly submitted their submission to the AASB. Deloitte, Ernst & Young and Institute of Public Accountants copied the AASB in their submission to the IASB.

³ The submission is available on the AASB's website at http://www.aasb.gov.au/admin/file/content106/file/content106/c2/Comment_Letter_ED_2015_9_8_Mar_16.pdf. Note to board members: the submission is also available in the "supporting document folder" in Dropbox.

ED 273 Annual Improvements to IFRSs 2014-2016 Cycle

- 14 ED 273 incorporates *IASB ED/2015/10 Annual Improvements to IFRS 2014-2016*, which proposed to:
- (a) delete the short term exemptions in paragraphs E3-E7 of IFRS 1 *First-time Adoption of International Financial Reporting Standards*;
 - (b) amend IFRS 12 *Disclosure of Interest in Other Entities* to clarify the scope of the Standard by specifying that the disclosure requirements in this Standard apply to an entity's interests that are classified as held for sale, as held for distribution to owners in their capacity as owners or as discontinued operations in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*; and
 - (c) amend IAS 28 *Investments in Associates and Joint Ventures* to clarify that the election is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
- 15 The IASB is expected to issue an amending standard incorporating ED/2015/10 in December 2016.

Changes to the proposed amendments

- 16 There is no major change to the proposed amendments. One minor change to note is that the IASB decided not to provide transition relief for clarification of the scope of the disclosure requirements in IFRS 12.

ED 273 comment letters received and AASB submission on IASB ED/2015/10 Annual Improvements to IFRS 2014-2016

- 17 The AASB received a comment letter⁴ to ED 273. The comment letters generally agreed with the proposed amendments.⁵
- 18 While the AASB submission⁶ generally supported the proposed amendments, the AASB expressed some minor concerns about the proposed amendments to delete short-term exemptions for first-time adopters in IFRS 1.
- 19 One of the comments that the AASB raised is that the Board disagrees with the IASB's view that the relief provided in paragraph 44AA of IFRS 7 *Financial Instruments: Disclosures* is not applicable for annual periods ending on or after 31

⁴ The comment letters are available on the AASB's website at <http://www.aasb.gov.au/Work-In-Progress/Pending.aspx?id=1972>. Note to board members: comment letters on ED 273 are also available in the "Supporting documents folder" in Dropbox.

⁵ The comment letter was received from Ernst & Young. Ernst & Young copied the AASB in their submission to the IASB.

⁶ The submission is available on the AASB's website at http://www.aasb.gov.au/admin/file/content106/c2/AASB_Comment_Letter_ED_2015_10_26_2_16.pdf. Note to board members: the submission is also available in the "supporting document folder" in Dropbox.

December 2017. The comment letter further elaborated that the transition relief is still relevant because financial statements prepared for annual periods ending on 30 June 2018 may require a third statement of financial position as at the beginning of the preceding period. Considering the AASB's comments, the IASB decided to set an effective date of annual periods beginning on or after 1 January 2018 to remove the concern raised about annual periods ending on 30 June 2018.

Staff views

- 20 Acknowledging the AASB submission and feedback received from Australian constituents, staff recommend the Board finalise the project by making an amending standard incorporating the forthcoming IFRS *Annual Improvements to IFRSs 2014-2016 cycle*, out-of-session, after the IFRS is issued. The OBPR process is not required for annual improvements as staff previously received a relief from the OBPR.
- 21 There is no additional disclosure requirement proposed by ED 273 and staff expect the same of the final Standards. Consequently, staff do not expect the amendments to have any implications for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements (Tier 2).
- 22 Staff do not consider that any NFP or public sector specific modification is needed as the forthcoming amendments are minor and staff have not identified any issue that warrants modifying an IFRS for NFP or public sector entities.

Questions for Board members

- Q3 Do any Board members intend to dissent from the making of an Amending Standard incorporating the forthcoming IFRS *Annual Improvements to IFRS 2014-2016*?
- Q4 Do Board members agree with the staff recommendation to finalise an Amending Standard out-of-session?

DI/2015/2 Foreign Currency Transactions and Advance Consideration

- 23 DI/2015/2 addresses how to determine the date of the transaction for the purpose of determining the spot exchange rate used to translate the asset, expense or income (or part of it) on initial recognition that relates to, and is recognised on the derecognition of, a non-monetary prepayment asset or a non-monetary deferred income liability.
- 24 The IFRS IC is expected to issue an Interpretation incorporating DI/2015/2 in December 2016.

Changes to the draft Interpretation

- 25 Some changes to note are as outlined below:
- (a) the effective date of the Interpretation should be 1 January 2018, with earlier application permitted; and

- (b) first-time adopters should be permitted to apply the Interpretation prospectively to all assets, expenses and income initially recognised on or after the date of transition to IFRS Standards.

IFRIC DI/2015/2 comment letters received and AASB submission on Draft IFRIC Interpretation DI/2015/2 *Foreign Currency Transactions and Advance Consideration*

- 26 The AASB received three comment letters⁷ to DI/2015/2. The comment letters generally agreed with the proposed amendments.⁸
- 27 While the AASB submission⁹ generally supported the proposed amendments, the AASB expressed some minor concerns on giving entities an option of prospective application dates.

Staff views

- 28 Acknowledging the AASB submission, staff recommend the Board to make an interpretation incorporating the forthcoming IFRIC Interpretation *Foreign Currency Transactions and Advance Consideration*, out-of-session.
- 29 Staff do not consider that any NFP or public sector specific modification is needed as staff have not identified any issue in the forthcoming Interpretation that warrants modifying an IFRS for NFP or public sector entities.

Questions for Board members

- Q5 Do any Board members intend to dissent from the making of an interpretation incorporating the forthcoming IFRIC Draft Interpretation *DI/2015/2 Foreign Currency Transactions and Advance Consideration*?
- Q6 Do Board members agree with the staff recommendation to issue an Interpretation out-of-session?

⁷ The comment letters are available on the AASB's website at <http://www.aasb.gov.au/Work-In-Progress/Pending.aspx?id=1965>. Note to board members: comment letters on DI/2015/2 are also available in the "Supporting documents folder" in Dropbox.

⁸ The comment letter was received from Institute of Public Accountants (IPA), Pitcher Partners and PricewaterhouseCoopers. IPA copied the AASB in their submission to the IASB.

⁹ The submission is available on the AASB's website at http://www.aasb.gov.au/admin/file/content106/c2/AASB_Comment_letter_DI_2015_2.pdf. Note to board members: the submission is also available in the "supporting document folder" in Dropbox.