



Project:	Deferral of effective date of amendments to AASB 10 and AASB 128	Meeting	AASB October 2017 (M160)
Topic:	Further deferral of amendments	Agenda Item:	4.1
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		Decision-Making:	Low
		Project Status:	Initial consideration

Introduction and objective of this paper

- 1 The objective of this paper is to obtain Board decisions in relation to the further deferral of the effective date of amendments made in 2014 to AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* regarding the equity method of accounting.

Summary of staff recommendations

- 2 Staff recommend that, due to the IASB's continuing indefinite deferral of the effective date of the narrow-scope amendments made in AASB 2014-10, the AASB should now issue an amending Standard to defer the mandatory application date of those amendments to annual reporting periods beginning on or after 1 January 2022. Staff recommend voting out of session on an amending Standard, without further formal due process.

Background

- 3 In September 2014 the International Accounting Standards Board (IASB) issued IFRS Standard *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, which made narrow-scope amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. Consequently, the AASB issued AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*¹ in December 2014, making identical amendments to AASB 10 and AASB 128.
- 4 Subsequent to issuing these amendments, the IFRS Interpretations Committee (IFRIC) and the IASB considered a number of other issues with respect to the sale or

1 Link to AASB 2014-10: http://www.asb.gov.au/admin/file/content105/c9/AASB2014-10_12-14.pdf

contribution of assets between an investor and its associate or joint venture. In June 2015, the IASB:

- (a) noted these further issues should be addressed as part of its research project on equity method accounting;
- (b) noted that further issues were related to and would lead to greater clarification of the amendments made in September 2014; and
- (c) therefore decided that the effective date of the September 2014 amendments should be deferred indefinitely so that entities would not need to change the way they apply IFRS 10/IAS 28 twice in a short period of time.

- 5 As a result, the IASB issued IFRS Standard *Effective Date of Amendments to IFRS 10 and IAS 28* in December 2015, changing the effective date of the September 2014 amendments from 1 January 2016 to ‘a date to be determined by the IASB’. The IASB did not simply reverse the amendments, so that the amendments would still be available for entities that chose to apply them.
- 6 The AASB noted at its August 2015 meeting that the AASB would not be able to defer indefinitely the effective date of the relevant amendments in AASB 2014-10. This is because, under the *Corporations Act 2001*, if an Accounting Standard does not include a mandatory effective date, the requirements of the Standard become immediately mandatory for periods ending after the legal commencement of the Standard. If a legal commencement date is not specified in the Standard, then in accordance with what is now section 12(1)(a) of the *Legislation Act 2003*, the Standard would become mandatory for periods ending after the day it is registered on the Federal Register of Legislation. Accordingly, to avoid immediate application of the Standard, the effective date of the amendments needs to be deferred to a specified mandatory effective date.
- 7 Given the legal implications of deferring indefinitely, the AASB decided that the effective date of the amendments in AASB 2014-10 would be deferred until annual reporting periods beginning on or after 1 January 2018 and issued AASB 2015-10 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128*. At the time of decision, the AASB noted that an IASB discussion paper on *Equity Method Accounting* (the project intended to address the issues resulting in the deferrals) was expected in 2016.

Current status

- 8 As at September 2017, the IASB’s Equity Method Accounting research project is neither completed nor presently active. The IASB website shows the Equity Method Accounting project in its Research Pipeline², noting that it plans no further work on the project until the joint Post-implementation Review (PIR) of IFRS 10, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities* is completed. The IASB does however expect to commence all projects in its research project before its next agenda consultation in 2021.

2 Link to IASB research pipeline: <http://www.ifrs.org/projects/research-programme/#the-research-pipeline>

- 9 The PIR on IFRS 10, IFRS 11 and IFRS 12 is recognised by the IASB as ‘forthcoming’, however no other indication of its timing has been given. Staff note that a PIR would generally commence about 30-36 months after the effective date, which in this case was 1 January 2013. Given that that period has now passed, Staff are unable to estimate a commencement or completion date for the PIR.
- 10 Therefore, Staff are also unable to estimate either the completion date of the IASB’s Equity Method Accounting project or the effective date of the September 2014 amendments expected to be decided as an outcome of this project.

Staff recommendations

- 11 In light of the above, Staff recommend that the effective date of the AASB 2014-10 amendments be further deferred to annual reporting periods beginning on or after 1 January 2022 through a new amending Standard that applies to periods beginning on or after 1 January 2018, given that:
 - (a) the current effective date of the AASB 2014-10 amendments, being 1 January 2018, is impending, and the IASB is yet to determine an effective date for the amendments;
 - (b) the AASB remains unable to defer the amendments indefinitely due to the reasons identified in paragraph 6; and
 - (c) Staff consider it unlikely that an effective date before 1 January 2022 would be decided by the IASB, given the current status of the relevant projects as outlined in paragraphs 8-10.
- 12 Staff also consider that a formal consultation process, such as an exposure draft, is unnecessary, due to:
 - (a) the narrow, technical nature of the amendments; and
 - (b) a further deferral not affecting any of the accounting policy choices currently available to entities.
- 13 Staff recommend that Board members vote on the amending Standard out of session, prior to the December Board meeting, so that the further deferral of the amendments in AASB 2014-10 can be put in place as soon as possible.
- 14 Finally, Staff also propose that an amending Standard relating to the above contain additional unrelated editorial amendments that are needed for other Standards for annual reporting periods beginning on or after 1 January 2018, with a view to minimising the administrative work for the Board and Staff.

Questions for the Board

- Q1 Does the Board agree to further defer the amendments made in AASB 2014-10?
- Q2 Does the Board agree with the suggested deferred effective date of 1 January 2022?

Q3	Does the Board agree to vote on an amending Standard out of session, without a formal consultation process?
Q4	Does the Board agree to an amending Standard including other editorial amendments, in addition to the deferral of the effective date of the amendments made in AASB 2014-10?