



Australian Government
Australian Accounting Standards Board

Staff Paper

Project:	Definition of a Business and Accounting for Previously Held Interests, and Public Sector Financial Instruments	Meeting	AASB August 2016 (M153)
		Date	16 August 2016
Topic:	Consider whether to comment on IASB and IPSASB consultative documents	Agenda Item:	6.1
Contact(s):	Shaun Steenkamp ssteenkamp@aasb.gov.au (03) 9617 7640 Junyoung Jeong jjeong@aasb.gov.au (03) 9617 7628	Project Priority:	Low
		Decision-Making:	Low
		Project Status:	Initial consideration

Introduction and objective of this paper

- 1 The objective of this paper is to obtain the Board's decision on whether to comment on IASB ED/2016/1 *Definition of a Business and Accounting for Previously Held Interests* (Proposed Amendments to IFRS 3 and IFRS 11) and the International Public Sector Accounting Standards Board's (IPSASB) Consultation Paper *Public Sector Financial Instruments*.
- 2 The IASB ED proposes to clarify:
 - (a) the definition of a business in IFRS 3 *Business Combinations*; and
 - (b) the accounting for previously held interests when an entity obtains control of a business that is a joint operation and when it obtains joint control of a business that is a joint operation.
- 3 The AASB incorporated IASB ED/2016/1 in its ED 275 *Definition of a Business and Accounting for Previously Held Interests*, which is due for comment by 23 September 2016.
- 4 The IPSASB Consultation Paper seeks feedback on the IPSASB's preliminary views on:
 - (a) special drawing rights;
 - (b) currency in circulation; and
 - (c) monetary gold.

- 5 The Consultation Paper is the IPSASB's first consultative document on these issues and is expected to inform the development of a future Exposure Draft.

Link to project summaries

- 6 IASB project summary: <http://www.ifrs.org/Current-Projects/IASB-Projects/Definition-of-a-business/Pages/default.aspx>
- 7 IPSASB project summary: <http://www.ipsasb.org/projects/public-sector-specific-financial-instruments>

Attachments

Agenda paper 6.2 AASB ED 275 *Definition of a Business and Accounting for Previously Held Interests* (Proposed Amendments to AASB 3 and AASB 11)

Agenda paper 6.3 IPSASB Consultation Paper *Public Sector Financial Instruments*

Summary of staff recommendations

- 8 Staff recommend the Board not make submissions on both the IASB and IPSASB consultative documents.

Proposed amendments in IASB ED/2016/1

- 9 The proposed amendments in IASB ED/2016/1 aim to provide:
- (a) clearer application guidance to help distinguish between a business and a group of assets when applying IFRS 3; and
 - (b) clarification in accounting for previously held interests in a joint operation that is a business in instances where an entity obtains control or joint control of that joint operation.
- 10 The proposed amended application guidance on the definition of a business in IFRS 3 arises from IASB's Post-implementation Review (PIR) process of IFRS 3. The PIR revealed that entities in some industries have difficulties when determining whether they have acquired a business or a group of assets. As the accounting requirements for goodwill, acquisition costs and deferred tax differ on the acquisition of a business and on the acquisition of a group of assets, the IASB decided to issue narrow scope amendments aimed at resolving these difficulties
- 11 The proposed amendment to accounting for previously held interests was developed through the IFRS Interpretations Committee and is aimed at reducing diversity in practice in this area.

Staff recommendation

- 12 Staff note that the proposed clarifications are narrow scope amendments. Staff generally agree with the proposed amendments and consequently, in view of project prioritisation, staff recommend that the Board does not comment on ED/2016/1.

- 13 Staff also note that the proposed amendments will be discussed at the September ASAF meeting. If there are any significant issues raised by Australian constituents, these could be raised at ASAF.

Question 1 for Board members

Do Board members agree with staff recommendation for the Board not to comment on IASB ED/2016/1 *Definition of a Business and Accounting for Previously Held Interests* (Proposed Amendments to IFRS 3 and IFRS 11)?

IPSASB Consultation Paper

- 14 The IPSASB Consultation Paper (CP) expresses the IPSASB's preliminary views on:
- (a) special drawing rights;
 - (b) currency in circulation; and
 - (c) monetary gold.
- 15 The CP broadly seeks views on general definitions for terms such as *monetary authority*, *reserve assets*, *monetary gold* and *SDR Holdings*.
- 16 The CP also seeks views on recognition and measurement of the items identified in paragraph 14.

Staff recommendation

- 17 Staff note that the CP is a consultative document that will inform future development of an Exposure Draft on public sector financial instruments. The views expressed in the CP are subject to change based on feedback to the IPSASB.
- 18 Staff also note that the key items addressed in the CP are relevant only to the Reserve Bank and whole of government and not to other public sector entities.
- 19 Consequently, staff recommend that the Board does not comment on the CP.

Question 2 for Board members

Do Board members agree with staff recommendation for the Board not to comment on IPSASB Consultation Paper *Public Sector Financial Instruments*?