



<b>Project:</b>	ED 273 Annual Improvements to IFRSs 2014–2016 Cycle	<b>Meeting</b>	AASB February 2016 (M150)
<b>Topic:</b>	Consider draft comment letter	<b>Date:</b>	8 February 2016
<b>Contact(s):</b>	Eric Lee <a href="mailto:elee@asab.gov.au">elee@asab.gov.au</a> (03) 9617 7646	<b>Agenda Item:</b>	8.1
		<b>Project Priority:</b>	High
		<b>Decision-Making:</b>	High
		<b>Project Status:</b>	Form tentative views on ED proposals

## Introduction and objective of this paper

- 1 The objective of this paper is to:
  - (a) seek Board member views on the draft AASB submission to IASB Exposure Draft ED/2015/10 *Annual Improvements to IFRS 2014–2016 Cycle* (incorporated into AASB Exposure Draft ED 273 *Annual Improvements to IFRSs 2014–2016 Cycle*). The draft submission is included as Appendix to this staff paper.
  - (b) agree on the process for finalising the AASB submission.

## Link to ED 273

[http://www.aasb.gov.au/ADMIN/file/content105/c9/ACCED273\\_11-15.pdf](http://www.aasb.gov.au/ADMIN/file/content105/c9/ACCED273_11-15.pdf)

## Draft AASB submission

### *Comment letters on ED 273*

- 2 The AASB issued ED 273 *Annual Improvements to IFRSs 2014–2016 Cycle* in November 2015. Comments to the AASB were due by **22 January 2016** and to date, no submissions have been received on ED 273.
- 3 Comments on IASB ED/2015/10 are due to the IASB by **17 February 2016**. Staff have arranged to lodge AASB’s comment letter to the IASB shortly after the Board meeting.

### *About the draft submission (Appendix)*

- 4 The staff recommendations are reflected in the draft AASB submission attached as Appendix. The draft submission has been prepared to facilitate the Board’s discussion on the positions it expects to take in response to the specific matters for comment in ED/2015/10.

**Question 1 to the Board**

Do Board members agree with the draft submission? If not, what aspects of the submission would Board members like to be amended or further developed?

**Finalising the AASB submission to the IASB**

- 5 Staff will update the draft submission to reflect Board member comments following the Board meeting. Given that the AASB comment letter would need to be submitted to the IASB shortly after the Board meeting, staff recommend that the AASB submission be finalised out-of-session by the Chair, having regard to any feedback received from constituents.

**Question 2 to the Board**

Do Board members agree with the staff recommendation for the AASB submission to be finalised out- of-session by the Chair?



**Australian Government**  
**Australian Accounting**  
**Standards Board**

**AASB 23-24 February 2016 (M150)**  
**Agenda Paper 8.1 (Appendix)**

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**APPENDIX: DRAFT COMMENT LETTER**

This document is a work in progress and has been prepared by AASB staff to facilitate the deliberations of the AASB on IASB Exposure Draft ED/2015/10 for the purpose of forming tentative Board views.

[X] February 2016

Mr Hans Hoogervorst  
Chairman  
International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
UNITED KINGDOM

Dear Hans

**IASB ED/2015/10 *Annual Improvements to IFRSs 2014-2016 Cycle***

The Australian Accounting Standards Board (AASB) is pleased to provide its comments on ED/2015/10 *Annual Improvements to IFRSs 2014-2016 Cycle*.

Overall, the AASB supports the proposed amendments. However, we have some concerns about the proposed amendments to delete short-term exemptions for first-time adopters in IFRS 1 *First-time Adoption of International Financial Reporting Standards*.

Our concerns and suggestions for improvement are explained in the Appendix to this letter. The Appendix also includes the AASB's comments on the specific questions in the Exposure Draft.

If you have any questions regarding this letter, please do not hesitate to contact Eric Lee ([elee@aab.gov.au](mailto:elee@aab.gov.au)).

Yours sincerely,

Kris Peach  
*Chair and CEO*

## APPENDIX

### AASB's responses to the Questions for Respondents to ED/2015/10

The AASB's views on the questions in the Exposure Draft are as follows:

#### **Question 1 – Proposed Amendment**

Do you agree with the IASB's proposal to amend the Standards as described in the Exposure Draft? If not, why and what alternative do you propose?

The AASB supports the proposed amendments in light of the explanation for them given in each of the IASB's Bases for Conclusions on ED/2015/10. However, we have the following comments about the specific amendments noted below:

#### **IFRS 1 – Deletion of short-term exemptions for first-time adopters**

The AASB supports the proposal to delete short-term exemptions that are no longer applicable. However, the AASB thinks that determining the "not applicable" dates in the Basis for Conclusions is not straightforward. Using paragraph BC1(c) in the Basis for Conclusions as an example, the AASB disagrees with the IASB's view that the relief provided in paragraph 44AA of IFRS 7 *Financial Instruments: Disclosures* is not applicable for financial statements prepared for annual periods ending on or after 31 December 2017. The AASB thinks that the transition relief is still relevant, for example, for financial statements prepared for annual periods ending on 30 June 2018<sup>1</sup> that require a third statement of financial position as at the beginning of the preceding period (in accordance with paragraph 40A of IAS 1 *Presentation of Financial Statements*).

Accordingly, we recommend that the IASB gives consideration to reporting periods other than a calendar year, the length of an annual period (which can be longer than 12 months when entities change their reporting dates) and the disclosure of comparative figures when deciding dates when short-term exemptions cease to be relevant. The AASB views that the relief provided in paragraph 44AA of IFRS 7 ceases to be relevant for annual periods beginning on or after 1 January 2018.

The AASB assumes that the latest "not applicable" date in the Basis for Conclusions could be used as the basis for the effective date of amendments to delete the short-term exemptions. In that case, it is important that the "not applicable" dates in the Basis for Conclusions accurately cover the range of circumstances.

The AASB also suggests that the IASB considers introducing "sunset clauses" for future short-term exemptions in IFRS 1 *First-time Adoption of International Financial Reporting Standards*. This should permit short-term exemptions to be removed as editorial amendments when they are no longer applicable without requiring a lengthy due process. However, announcements are warranted when the IASB makes such editorial amendments. The "sunset clauses" could be included, using paragraph E4A as an example, as follows:

<sup>1</sup> The normal financial year in Australia runs from 1 July to 30 June in the following year.

“A first-time adopter may apply the transition provisions in paragraph 44AA of IFRS 7. However, this is not applicable for annual periods beginning on or after 1 January 2018.” (new text is underlined).

### Other comments

The AASB recommends that the footnote to paragraph 44G of IFRS 7 be deleted for the following reasons:

- (a) it is unnecessary to include the amendment history of paragraph 44G within the body of the standard – it is not needed;
- (b) the proposed amendment to refer to a related provision in IFRS 1 is not relevant to IFRS 7; and
- (c) the Basis for Conclusions is a summary of the considerations of the IASB in reaching its consensus rather than an authoritative part of a standard; as such, the footnote within the body of the standard should not be cross-referenced to the Basis for Conclusions.

### Question 2 – Transition provisions

Do you agree with the proposed transition provisions as described in the Exposure Draft? If not, why and what alternative do you propose?

The AASB **agrees** with the proposed transition provisions.