



Australian Government
Australian Accounting Standards Board

Memorandum

Subject:	Submissions for noting	Meeting:	AASB April 2016 (M151)
Contact(s):	Kala Kandiah kkandiah@asb.gov.au (03) 9617 7626	Agenda item:	A.0
		Date:	12 April 2016
		Project status:	For Board information

Objective of this paper

- 1 **Agenda Papers A.1 – A.4** collate comment letters received by the AASB subsequent to the February 2016 meeting. Many of these are copies of the submitter's global firm submission to the IASB. These comment letters have been included in the April 2016 meeting papers for **Board information only**. This memo provides context to those comment letters and, where appropriate, summarises the feedback received.
- 2 Staff expect to bring the related projects back to a future Board meeting for AASB decision-making, including consideration of all comment letters received and any Australian-specific issues, before the respective projects are finalised.
- 3 **Agenda Paper A.5** forms part of Agenda Item 8 (Clarifications to IFRS 15) and is not discussed in this agenda paper.

Agenda Paper A.1 – ED 271 IFRS Practice Statement: Application of Materiality to Financial Statements, Submissions 5 & 6

- 4 The Board considered comment letters received before its February 2016 meeting in forming its submission to IASB ED/2015/8 *IFRS Practice Statement: Application of Materiality to Financial Statements* (included as **Agenda Paper B.1**).¹ These included Submission 5 (Institute of Public Accountants), which was presented as Tabled paper B.9 at the February 2016 AASB meeting. Submission 5 has been re-included here for Board information only.
- 5 The Board received Submission 6 (Ernst & Young) subsequent to the February 2016 Board meeting but before the AASB submission was finalised. Staff consider the comment letter, overall, is consistent with the AASB submission. However, staff note various concerns raised by the submitter differ from those specifically mentioned in the AASB submission. Submission 6 does not raise any Australian-specific issues for future AASB consideration.

Agenda Paper A.2 – ED 272 Transfers of Investment Property, Submissions 3-5

- 6 The Board considered comment letters received before its February 2016 meeting in forming its submission to IASB ED/2015/9 *Transfers of Investment Property* (included

¹ The Board decided, at its February 2016 meeting, to finalise its submission out-of-session via the Chair.

as **Agenda Paper B.2**).² Subsequent to the Board meeting, the Board received a further three submissions (Submissions 3-5).

- 7 Submission 3 (Institute of Public Accountants) and Submission 4 (Ernst & Young) were received before the AASB submission was finalised. Submission 5 (Deloitte) was received subsequent to the AASB submission to the IASB ED. Staff consider these comment letters, overall, are consistent with the AASB submission. The submissions express support for the proposed amendments to IAS 40 *Investment Property*. In addition, one submission identified issues for IASB consideration similar to those raised in the AASB submission.
- 8 However, staff note that Submissions 3-5 support the proposed full retrospective application of amendments on transition. This contrasts with the Board decision at its February 2016 meeting to recommend prospective application of the proposed amendments, to avoid hindsight in identifying a change in circumstances and in the measurement of the investment property.³ Submission 5 (Deloitte) similarly raised concerns about the use of hindsight but have instead recommended the IASB allow, as an option, a modified retrospective approach on transition.
- 9 No Australian-specific issues were raised for future AASB consideration.

Agenda Paper A.3 – ED 273 *Annual Improvements to IFRSs 2014-2016 Cycle*, Submission 1

- 10 No submissions to ED 273 had been received at the time the Board discussed its response to IASB ED/2015/10 *Annual Improvements to IFRSs 2014-2016 Cycle* (included as **Agenda Paper B.4**).⁴ The Board received one submission from Ernst & Young after the AASB submission was finalised.
- 11 The AASB submission expressed overall support for the proposed amendments,⁵ and recommended the effective date of the amendments to delete IFRS 7 short-term exemptions from IFRS 1 *First-time Adoption of International Financial Reporting Standards* be reconsidered. The comment letter received similarly expresses support for the proposed amendments, but:
 - (a) encourages the IASB not to finalise the proposed deletion of the IFRS 7 short-term exemptions before considering whether the exemptions remain necessary to restrict the use of hindsight;
 - (b) notes a potential unintended consequence of the removal of the short-term exemption for investment entities for certain former investment entities; and
 - (c) does not support retrospective application of the proposed amendments to IAS 28, for reasons of hindsight bias.
- 12 The submission does not raise any Australian-specific issues for future AASB consideration.

2 The Board decided, at its February 2016 meeting, to finalise its submission out-of-session via the Chair.

3 Per draft meeting minutes (see Agenda Paper 2.1).

4 The Board decided, at its February 2016 meeting, to finalise its submission out-of-session via the Chair.

5 ED/2015/10 proposed amendments to delete from IFRS 1 the short-term exemptions for first-time adopters, clarify the scope of the disclosure requirements in IFRS 12 *Disclosure of Interests in Other Entities*, and to permit the election in IAS 28 *Investments in Associates and Joint Ventures* to measure investees at fair value through profit or loss to be made on an investment-by-investment basis.

Agenda Paper A.4 – ITC 34 AASB Agenda Consultation 2017-2019, Submissions 1-5

- 13 Agenda Paper A.4 is a collation of the comment letters received to date on ITC 34. These have been included in the agenda papers for Board information only. Staff will bring a summary of all feedback received and the staff analysis and recommendations to a future Board meeting (probably June 2016). In the meanwhile, while the comment letter deadline has closed, staff intend to conduct further targeted outreach on the AASB's future work program.