

Preliminary AASB staff views on IASB ED *Annual Improvements to IFRSs 2012-2014 Cycle*

The following table sets out the preliminary AASB staff view on each proposal included in IASB ED/2013/11 (and AASB ED 247):

Issue		ED/2013/11 Proposals	AASB Staff View
IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> : Changes in methods of disposal	Uncertainty whether a change in a disposal plan from a plan of sale to a plan of distribution to owners would trigger the accounting in IFRS 5.26-29 (ceasing to be classified as held for sale).	<p>A proposal to clarify that the reclassification of an asset (or disposal group) directly from being held for distribution to being held for sale, or vice versa, will not trigger the reclassification and remeasurement requirements in IFRS 5.27-29.</p> <p>The proposal would also clarify that these paragraphs apply when the asset is no longer available for immediate distribution or that the distribution is no longer highly probable.</p> <p>The amendments are to apply prospectively under the proposal.</p>	Staff agree with the proposal. However, staff believe that the IASB should take this opportunity to update the remainder of IFRS 5 to clarify the requirements for assets (or disposal group) held for distribution in the remainder of IFRS 5 to ensure that there is no similar future uncertainty arising, for example, IFRS 5.27(b) (which refers only to a decision not to sell) and IFRS 5.16-19.
IFRS 7 <i>Financial Instruments: Disclosures</i> : Servicing contracts	Uncertainty about whether servicing contracts constitute continuing involvement for the purposes of applying the disclosure requirements in IFRS 7.42E-42H.	<p>Proposals to:</p> <p>(a) add application guidance to IFRS 7 to clarify how an entity should apply the guidance in IFRS 7.42C to a servicing contract to decide whether a servicing contract is ‘continuing involvement’ for the purposes of applying the disclosure requirements in IFRS 7.42E-42H. The proposal is to apply retrospectively, but with an option to not apply the amendment for any period presented that</p>	Staff agree with the proposals.

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		<p>begins before the annual period for which the entity first applies those amendments; and</p> <p>(b) to amend IFRS 1 to allow first-time adopters access to the same transition provisions in respect of these amendments.</p>	
IFRS 7 <i>Financial Instruments: Disclosures:</i> Applicability of the amendments to IFRS 7 to condensed interim financial statements	Uncertainty, given the wording of IFRS 7.44R, whether the disclosures specified by IFRS 7.13A-13F and B40-B53 should be included in condensed interim financial statements, and if so, the extent of the disclosures required (first year of application, every set or in accordance with IAS 34 principles).	<p>A proposal to amend IFRS 7.44R to delete the reference to interim periods. The amendment is to apply retrospectively under the proposal.</p> <p>In its Basis for Conclusions regarding this amendment, the IASB noted that additional disclosure is required to be given in condensed interim financial statements prepared in accordance with IAS 34 when its inclusion would be required in accordance with the requirements of IAS 34. The ED does not propose any amendments to IAS 34 in respect of these IFRS 7 disclosures.</p>	Staff agree with the proposal.
IAS 19 <i>Employee Benefits:</i> Discount rate – regional market issue	Uncertainty whether the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be assessed at the country or currency level.	A proposal to amend IAS 19.83 to clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be assessed at the currency level. The amendments are to apply retrospectively under the proposal.	Staff agree with the proposal.

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IAS 34 <i>Interim Financial Reports</i> : Disclosure of information 'elsewhere in the interim financial report'	Uncertainty as to the meaning of 'elsewhere in the interim financial report'.	<p>A proposal to clarify that the disclosures specified by IAS 34.16A need not be provided in the notes to the interim financial statements, and to require a cross-reference to be made if the information is included elsewhere in the interim financial report. The proposal clarifies that disclosure can only be made by cross-reference where that other part of the interim financial report is available to users on the same terms as the interim financial statements and at the same time.</p> <p>In its Basis for Conclusions, the IASB noted that the proposed amendment would extend the scope of the financial statements to include the disclosure presented elsewhere in the interim financial reports.</p>	<p>Staff agree with the proposed amendment to IAS 34. However, staff consider that, as s.303 of the <i>Corporations Act 2001</i> defines a half-year financial report as consisting of the financial statements for the half-year and notes thereto and the directors' declaration about the statement and notes, this amendment is unlikely, in practice, to change the current location of such disclosures in Australian half-year financial reports.</p> <p>At its May 2013 meeting, the Board decided that a footnote to IAS 34.16, explaining that an entity would need to have regard to the entity's regulatory environment in determining whether cross-reference can be made to material located outside the financial statements, is not necessary.</p> <p>At the same meeting, AASB staff communicated to the Board that we have discussed the issue of audit implications with AUASB staff. Based on these discussions, AASB staff understand that the proposed IAS34.16A would not create any particular audit issues as the cross-reference is to information elsewhere in the interim financial report. As such, the information is still subject to audit (or</p>

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			<p>review) in accordance with the requirements of Auditing Standard ASA 720 <i>The Auditor's Responsibilities Relating to Other Information in Documents Containing an Audited Financial Report</i> or Auditing Standard on Review Engagements ASRE 2410 <i>Review of an Interim Financial Report Performed by the Independent Auditor of the Entity</i>. The proposed amendments to IAS 34.16A have not changed in any substantial manner since this time.</p>

Question 1 to Board members:

Does the Board agree with the preliminary staff view pending consideration of any constituent comments that might be received?