



# Memorandum

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| <b>To:</b>      | <b>AASB Members</b>   | <b>Date:</b>        | 24 March 2014 |
| <b>From:</b>    | <b>Mitchell Bryce and Evelyn Ling</b>   | <b>Agenda Item:</b> | 8.1 (M137)    |
| <b>Subject:</b> | <b>Finalise the recently issued IASB Annual Improvements (2010-2012 and 2011-2013 Cycles)</b> | <b>File:</b>        |               |

## Action

To highlight significant changes from IASB Annual Improvements Exposure Drafts to final pronouncements and to provide staff with direction for finalising the equivalent Australian amendments to IASB *Annual Improvements to IFRSs 2010-2012 Cycle* and *Annual Improvements to IFRSs 2011-2013 Cycle*, including Tier 2 Disclosure Requirements.

## Attachments

- Agenda Paper 8.2 Analysis of IASB Annual Improvements to IFRSs
- Agenda Paper 8.3 IASB *Annual Improvements to IFRSs 2010-2012 Cycle* [board only]
- Agenda Paper 8.4 IASB *Annual Improvements to IFRSs 2011-2013 Cycle* [board only]

## Background

In December 2013, the IASB published *Annual Improvements to IFRSs 2010-2012 Cycle* and *Annual Improvements to IFRSs 2011-2013 Cycle*. The final IASB pronouncements contain several changes from AASB Exposure Drafts ED 225 *Annual Improvements to IFRSs 2010 – 2012 Cycle* (May 2012) and ED 229 *Annual Improvements to IFRSs 2011–2013 Cycle* (November 2012) (incorporating IASB ED/2012/1 and ED/2012/2 of the same names). The Board made submissions to the IASB on each of the IASB Exposure Drafts.<sup>1</sup>

Agenda Paper 8.2 summarises and comments on various differences from the IASB Exposure Drafts to the final pronouncement, as well as matters raised by the Board in its submissions to the IASB that have not been incorporated into the final IASB pronouncement. Despite concerns, staff recommend adopting the final IASB wording without amendment. However, staff also recommend raising concerns relating to the definition of a ‘business’ and ‘distinguishing between investment property and owner-occupied property’ as part of the AASB submission on the post-implementation review of IFRS 3 *Business Combinations*.

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<sup>1</sup> AASB submission to IASB on ED/2012/1 *Annual Improvements to IFRSs 2010-2012 Cycle*:  
[http://www.aasb.gov.au/admin/file/content106/c2/AASB\\_letter\\_to\\_IASB\\_on\\_ED\\_2012\\_1\\_FINAL.pdf](http://www.aasb.gov.au/admin/file/content106/c2/AASB_letter_to_IASB_on_ED_2012_1_FINAL.pdf)  
AASB submission to IASB on ED/2012/2 *Annual Improvements to IFRSs 2011-2013 Cycle*:  
[http://www.aasb.gov.au/admin/file/content106/c2/AASB\\_Submission\\_IASB\\_Improvements\\_2011-2013.pdf](http://www.aasb.gov.au/admin/file/content106/c2/AASB_Submission_IASB_Improvements_2011-2013.pdf)

## Questions for the Board

- 1 Does the Board agree with the proposed staff recommendations in respect of each matter noted in Agenda Paper 8.2?
- 2 Does the Board wish for the staff to take any further action in respect of any of these matters, and if so, what?

## Reduced Disclosure Requirements – AASB 8 Operating Segments

AASB ED 225 proposed amending paragraph 22 of AASB 8 to additionally require entities to disclose those factors that are used to identify the entity's reportable segments when operating segments have been aggregated, and amending paragraph 28(c) to clarify that the reconciliation of segment assets to the entity's assets is only required if that amount is regularly provided to the chief operating decision maker.

The IASB finalised these amendments (with minor amendment) in its *Annual Improvements to IFRSs 2010-2012 Cycle*.

AASB ED 225 did not make Tier 2 proposals in relation to these AASB 8 amendments on the basis that it is expected entities applying AASB 8 would have public accountability and therefore be Tier 1 entities.

## Comment letter analysis

The AASB received four comment letters in respect of AASB ED 225:

- Two respondents (E&Y, PwC) agreed with the AASB's Tier 2 proposals in respect of AASB 8 for the reasons set out in the Exposure Draft.
- One respondent (HoTARAC) questioned the rationale for the proposed Tier 2 proposal, noting that paragraphs 5 – 34 currently do not apply to entities preparing RDR general purpose financial statements.
- One respondent (Grant Thornton) made no specific comment in respect of the Tier 2 proposals.

## Staff view

The entities to which AASB 8 mandatorily applies are expected to be Tier 1 entities. However, on reflection, staff consider that the proposed AASB 8 amendments, when incorporated into a final AASB amending standard, should also be subject to Tier 2 Reduced Disclosure Requirement relief, consistent with the RDR relief currently available in AASB 8.

Paragraph Aus2.6 of AASB 8 states:

*Paragraphs 5-34 do not apply to entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements and are identified in this Standard by shading of the relevant text. By virtue of paragraph Aus2.1 this Standard applies to Tier 1 entities preparing general purpose financial statements in accordance with Australian Accounting Standards. Entities applying Australian Accounting Standards – Reduced Disclosure Requirements may elect to comply with some or all of the excluded requirements.*

Staff consider that allowing the relief would not be inconsistent with respondent comments and would not require re-exposure.

## Question for the Board

- 3 Does the Board agree with the staff view with respect to the Tier 2 treatment of the proposed AASB 8 amendments?