



<b>To:</b>	<b>AASB members</b>	<b>Date:</b>	19 August 2014
<b>From:</b>	<b>Kala Kandiah</b>	<b>Agenda Item:</b>	8.1 (M140)
<b>Subject:</b>	<b>IASB ED – Investment Entities: Applying the Consolidation Exception</b>	<b>File:</b>	

## Action

Subject to consideration of any further comments that might be received from AASB constituents, form views on the proposals in IASB ED/2014/2 *Investment Entities: Applying the Consolidation Exception*, and decide on an approach for finalising the AASB’s comment letter to the IASB.

## Attachments

Agenda paper 8.2 – Issues paper on AASB ED 250 *Investment Entities: Applying the Consolidation Exception* (which incorporates the IASB ED)

Agenda paper 8.3 – AASB ED 250 *Investment Entities: Applying the Consolidation Exception*

Agenda paper 8.4 – Full text of submissions received in response to AASB ED 250

## Background and overview of proposals

- 1 The IFRS Interpretations Committee (the ‘Interpretations Committee’) received requests to clarify some issues related to the Investment Entities amendments in IFRS 10 *Consolidated Financial Statements*. The Interpretations Committee considered these issues and recommended that the IASB propose amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* to clarify these issues.
- 2 Consequently, in June 2014, the IASB issued ED/2014/2 *Investment Entities: Applying the Consolidation Exception*, which proposes three amendments to IFRS 10 and IAS 28 as follows:
  - (a) amend IFRS 10 to confirm that the exemption from preparing consolidated financial statements set out in paragraph 4(a) of IFRS 10 continues to be available to a parent entity that is a subsidiary of an investment entity, even when the investment entity measures its subsidiaries at fair value in accordance with paragraph 31 of IFRS 10;
  - (b) amend IFRS 10 to clarify that the requirement for an investment entity to consolidate a subsidiary, instead of measuring it at fair value, applies only to those subsidiaries that act as an extension of the operations of the investment entity parent, and do not themselves qualify as investment entities; and

- (c) amend IAS 28 to:
  - (i) provide relief to a non-investment entity investor by requiring it to retain, when applying the equity method, the fair value measurement applied by an investment entity associate to its interests in subsidiaries; and
  - (ii) clarify that a non-investment entity investor that is a joint venturer in a joint venture that is an investment entity cannot, when applying the equity method, retain the fair value measurement applied by the investment entity joint venture to its interests in subsidiaries.
  
- 3 In June 2014, the AASB issued ED 250, which incorporates IASB ED/2014/2. The comment period for ED 250 closed on 15 August 2014 and to date one submission has been received (see agenda paper 8.4). Feedback received from this submission has been incorporated into AASB staff issues paper, Agenda Paper 8.2. Staff will provide an update of any further submissions received before the forthcoming Board meeting. The comment period for IASB ED/2014/2 closes on 15 September 2014.

### **AASB outreach and analysis**

- 4 AASB staff conducted targeted outreach to constituents in the form of teleconferences to gather additional feedback on the proposals. Feedback received from this outreach has been incorporated into AASB staff issues paper, Agenda Paper 8.2.

### **Process for finalising the AASB comment letter**

- 5 AASB staff recommend, subject to the nature of any further responses that might be received from constituents, the submission be finalised out-of-session via the Acting Chairman. If any further substantial issues are raised by constituents, AASB staff will bring these to the attention of the Board out of session.

### **Questions to Board members:**

- 1. Do you agree with AASB staff views in Agenda Paper 8.2 on the proposals in IASB ED/2014/2? Are there other issues you think should be raised?
- 2. Do you agree to finalise AASB's submission to the IASB out-of-session via the Acting Chairman?