AASB 22-23 October 2014
Agenda paper 10.3 (M141)

AASB Exposure Draft

ED 254
September 2014

Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value

(Proposed amendments to AASB 10, AASB 12, AASB 127, AASB 128 and AASB 136)

Comments to the AASB by 12 December 2014

Australian Government

Australian Accounting Standards Board

Commenting on this AASB Exposure Draft

Constituents are strongly encouraged to respond to the AASB and the IASB. The AASB is seeking comment by 12 December 2014. This will enable the AASB to consider Australian constituents' comments in the process of formulating its own comments to the IASB, which are due by 16 January 2015. Comments should be addressed to:

The Chair
Australian Accounting Standards Board
PO Box 204
Collins Street West Victoria 8007
AUSTRALIA
E-mail: standard@aasb.gov.au

Respondents to the IASB are asked to send their comments electronically to the IFRS Foundation website (www.ifrs.org), using the 'Comment on a proposal' page.

All submissions on possible, proposed or existing financial reporting requirements, or on the standard-setting process, will be placed on the public record unless the Chair of the AASB agrees to submissions being treated as confidential. The latter will occur only if the public interest warrants such treatment.

Obtaining a Copy of this AASB Exposure Draft

This AASB Exposure Draft is available on the AASB website: www.aasb.gov.au. Alternatively, printed copies of this AASB Exposure Draft are available by contacting:

The Customer Service Officer
Australian Accounting Standards Board
Level 7
600 Bourke Street
Melbourne Victoria
AUSTRALIA

Phone: (03) 9617 7637
Fax: (03) 9617 7608
E-mail: publications@aasb.gov.au
Postal address:
PO Box 204
Collins Street West Victoria 8007

Other Enquiries

Phone: (03) 9617 7600
Fax: (03) 9617 7608
E-mail: standard@aasb.gov.au

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ISSN 1030-5882

AASB REQUEST FOR COMMENTS

The proposed amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 27 *Separate Financial Statements*, IAS 28 *Investments in Associates and Joint Ventures* and IAS 36 *Impairment of Assets* (incorporated into AASB 10, AASB 12, AASB 127, AASB 128 and AASB 136 of the same names) address:

(a) the unit of account for investments in subsidiaries, joint ventures and associates and on their fair value measurement when those investments are quoted in an active market (quoted investments); and

(b) the measurement of the recoverable amount of cash-generating units (CGUs) on the basis of fair value less costs of disposal when they correspond to entities that are quoted in an active market (quoted CGUs).

The proposed amendments clarify that an entity should measure the fair value of quoted investments and quoted CGUs as the product of the quoted price for the individual financial instruments that make up the investments held by the entity and the quantity of financial instruments.

Amendments are also proposed to the Illustrative Examples to IFRS 13 *Fair Value Measurement* to illustrate the application of paragraph 48 of that Standard for a specific case. The example illustrates the fair value measurement of an entity's net exposure to market risks arising from a group of financial assets and financial liabilities whose market risks are substantially the same and whose fair value measurement is categorised within Level 1 of the fair value hierarchy. The Illustrative Examples to IFRS 13 are not incorporated into AASB 13 *Fair Value Measurement*, but are made available on the AASB's website at www.aasb.gov.au.

In light of the Australian Accounting Standards Board's (AASB's) policy of incorporating International Financial Reporting Standards (IFRSs) into Australian Accounting Standards, the AASB is inviting comments on:

(a) any of the proposals in the attached International Accounting Standards Board (IASB) Exposure Draft, including the specific questions on the proposals as listed in the Invitation to Comment section of the attached IASB Exposure Draft; and

(b) the 'AASB Specific Matters for Comment' listed below.

Submissions play an important role in the decisions that the AASB will make in regard to a Standard. The AASB would prefer that respondents supplement their opinions with detailed comments, whether supportive or otherwise, on the major issues. The AASB regards supportive and non-supportive comments as essential to a balanced review and will consider all submissions, whether they address some or all specific matters, additional issues or only one issue.

Due Date for Comments to the AASB

Comments should be submitted to the AASB by 12 December 2014. This will enable the AASB to consider those comments in the process of formulating its own comments to the IASB. Constituents are also strongly encouraged to send their response to the IASB.

Reduced Disclosure Requirements

AASB 1053 *Application of Tiers of Australian Accounting Standards* establishes a differential reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements:

(a) Tier 1: Australian Accounting Standards; and

(b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 comprises the recognition and measurement requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.

The AASB's conclusions in relation to proposed Tier 2 disclosure requirements in this Exposure Draft have been reached after applying the AASB's usual approach to the analysis of the disclosures proposed in ED 254 compared with disclosures set out in the IASB's *IFRS for SMEs* and application of the AASB's 'Tier 2 Disclosure Principles'. Those principles and that analysis are available on the AASB website under Work in Progress/Reduced Disclosure Requirements.

The proposals in this Exposure Draft, when relevant, require an entity to disclose the:

(a) early adoption of the proposed amendments to IFRS 10 (proposed paragraph C1D in IFRS 10);

(b) effect of the amendments to IFRS 10 recognised in opening retained earnings for the reporting period in which the amendments are first applied (proposed paragraph C6D in IFRS 10);

(c) early adoption of the proposed amendments to IFRS 12 (proposed paragraph C1C in IFRS 12);

(d) early adoption of the proposed amendments to IAS 27 (proposed paragraph 18K in IAS 27);

(e) effect of the amendments to IAS 27 recognised in opening retained earnings (or another component of equity, as appropriate) for the reporting period in which the amendments are first applied (proposed paragraph 18M in IAS 27);

(f) early adoption of the proposed amendments to IAS 28 (proposed paragraph 45D in IAS 28);

(g) effect of the amendments to IAS 28 recognised in opening retained earnings for the reporting period in which the amendments are first applied (proposed paragraph 45F in IAS 28);

(h) early adoption of the proposed amendments to IAS 36 (proposed paragraph 140N in IAS 36); and

(i) impairment loss amount or impairment loss reversal, if any, that would have been recognised in the immediately preceding period presented as if the amendments to IAS 36 had been applied in that period (proposed paragraph 140O in IAS 36).

The proposed disclosures are new – they were not IFRS requirements at the time the *IFRS for SMEs* was issued. The disclosures satisfy the information needs of users in regard to disaggregation of amounts presented in the financial statements in relation to the effects of transitioning to the proposed amendments without significantly increasing the costs to the reporting entity. Based on paragraph 3(a) of the 'Tier 2 Disclosure Principles', applying the

'user need' and 'cost-benefit' principles, the AASB proposes that these paragraphs should be retained in the Tier 2 disclosure requirements.

The proposals in this Exposure Draft also propose amendments to paragraph 21(b)(iii) of IFRS 12. The paragraph requires an entity to disclose, for each joint venture and associate that is material to the reporting entity, if the joint venture or associate is accounted for using the equity method, the fair value of its investment in the joint venture or associate, if there is a quoted market price for the investment. The Exposure Draft amends the paragraph to provide guidance on the determination of fair value where the investment is quoted in an active market, but does not add disclosure requirements. Based on paragraph 7 of the 'Tier 2 Disclosure Principles', the AASB proposes that the text added to paragraph 21(b)(iii) of IFRS 12 should be retained in the Tier 2 disclosure requirements.

AASB Specific Matters for Comment

The AASB would particularly value comments on the following:

1. whether you agree that no specific amendment to the Australian Accounting Standards – Reduced Disclosure Requirements in AASB 10, AASB 12, AASB 127, AASB 128 and AASB 136 is required with respect to the disclosures proposed in the Exposure Draft;

2. whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to:

   (a) not-for-profit entities; and

   (b) public sector entities, including GAAP/GFS implications;

3. whether, overall, the proposals would result in financial statements that would be useful to users;

4. whether the proposals are in the best interests of the Australian economy; and

5. unless already provided in response to specific matters for comment 1 – 4 above, the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative. In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs, or cost savings, of the proposals relative to the existing requirements.

September 2014

Exposure Draft ED/2014/4

Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value

Proposed amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36 and Illustrative Examples for IFRS 13

Comments to be received by 16 January 2015

IASB®

Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value

(Proposed amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36 and Illustrative Examples for IFRS 13)

Comments to be received by 16 January 2015

Exposure Draft ED/2014/4 *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value* (Proposed amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36 and Illustrative Examples for IFRS 13) is published by the International Accounting Standards Board (IASB) for comment only. The proposals may be modified before being issued in final form. Comments need to be received by **16 January 2015** and should be submitted in writing to the address below or electronically using our 'Comment on a proposal' page.

All comments will be on the public record and posted on our website unless the respondent requests confidentiality. Such requests will not normally be granted unless supported by good reason, for example, commercial confidence. Please see our website for details on this and how we use your personal data.

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ISBN: 978-1-909704-51-0

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Introduction

The International Accounting Standards Board (IASB) has published this Exposure Draft to propose amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 27 *Separate Financial Statements*, IAS 28 *Investments in Associates and Joint Ventures* and IAS 36 *Impairment of Assets*.

This Exposure Draft addresses questions received on the unit of account for investments in subsidiaries, joint ventures and associates and on their fair value measurement when those investments are quoted in an active market (quoted investments). Similarly, the IASB also received questions on the measurement of the recoverable amount of cash-generating units (CGUs) on the basis of fair value less costs of disposal when they correspond to entities that are quoted in an active market (quoted CGUs).

The proposed amendments clarify that an entity should measure the fair value of quoted investments and quoted CGUs as the product of the quoted price for the individual financial instruments that make up the investments held by the entity and the quantity of financial instruments.

This Exposure Draft also sets out proposed amendments to the Illustrative Examples for IFRS 13 *Fair Value Measurement* to illustrate the application of paragraph 48 of that Standard for a specific case. The example illustrates the fair value measurement of an entity's net exposure to market risks arising from a group of financial assets and financial liabilities whose market risks are substantially the same and whose fair value measurement is categorised within Level 1 of the fair value hierarchy.

Invitation to comment

The IASB invites comments on the proposals in this Exposure Draft, particularly on the questions set out below. Comments are most helpful if they:

(a) comment on the questions as stated;

(b) indicate the specific paragraph(s) to which they relate;

(c) contain a clear rationale; and

(d) describe any alternative that the IASB should consider, if applicable.

The IASB is not requesting comments on matters in IFRS 10, IFRS 12, IAS 27, IAS 28, IAS 36 and Illustrative Examples for IFRS 13 that are not addressed in this Exposure Draft. The IASB will consider all comments received in writing by **16 January 2015**. In considering the comments, the IASB will base its conclusions on the merits of the arguments for and against each alternative, not on the number of responses supporting each one.

Questions for respondents

Question 1—The unit of account for investments in subsidiaries, joint ventures and associates

The IASB concluded that the unit of account for investments within the scope of IFRS 10, IAS 27 and IAS 28 is the investment as a whole rather than the individual financial instruments included within that investment (see paragraphs BC3–BC7).

Do you agree with this conclusion? If not, why and what alternative do you propose?

Question 2—Interaction between Level 1 inputs and the unit of account for investments in subsidiaries, joint ventures and associates

The IASB proposes to amend IFRS 10, IFRS 12, IAS 27 and IAS 28 to clarify that the fair value measurement of quoted investments in subsidiaries, joint ventures and associates should be the product of the quoted price (P) multiplied by the quantity of financial instruments held (Q), or P × Q, without adjustments (see paragraphs BC8–BC14).

Do you agree with the proposed amendments? If not, why and what alternative do you propose? Please explain your reasons, including commenting on the usefulness of the information provided to users of financial statements.

Question 3—Measuring the fair value of a CGU that corresponds to a quoted entity

The IASB proposes to align the fair value measurement of a quoted CGU to the fair value measurement of a quoted investment. It proposes to amend IAS 36 to clarify that the recoverable amount of a CGU that corresponds to a quoted entity measured on the basis of fair value less costs of disposal should be the product of the quoted price (P) multiplied by the quantity of financial instruments held (Q), or P × Q, without adjustments (see paragraphs BC15–BC19). To determine fair value less costs of disposal, disposal costs are deducted from the fair value amount measured on this basis.

Do you agree with the proposed amendments? If not, why and what alternative do you propose?

Question 4—Portfolios

The IASB proposes to include an illustrative example to IFRS 13 to illustrate the application of paragraph 48 of that Standard to a group of financial assets and financial liabilities whose market risks are substantially the same and whose fair value measurement is categorised within Level 1 of the fair value hierarchy. The example illustrates that the fair value of an entity's net exposure to market risks arising from such a group of financial assets and financial liabilities is to be measured in accordance with the corresponding Level 1 prices.

Do you think that the proposed additional illustrative example for IFRS 13 illustrates the application of paragraph 48 of IFRS 13? If not, why and what alternative do you propose?

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Question 5—Transition provisions
The IASB proposes that for the amendments to IFRS 10, IAS 27 and IAS 28, an entity should adjust its opening retained earnings, or other component of equity, as appropriate, to account for any difference between the previous carrying amount of the quoted investment(s) in subsidiaries, joint ventures or associates and the carrying amount of those quoted investment(s) at the beginning of the reporting period in which the amendments are applied. The IASB proposes that the amendments to IFRS 12 and IAS 36 should be applied prospectively. The IASB also proposes disclosure requirements on transition (see paragraphs BC32–BC33) and to permit early application (see paragraph BC35). Do you agree with the transition methods proposed (see paragraphs BC30–BC35)? If not, why and what alternative do you propose?

How to comment

Comments should be submitted using one of the following methods.

Electronically (our preferred method)	Visit the 'Comment on a proposal page', which can be found at: go.ifrs.org/comment
Email	Email comments can be sent to: commentletters@ifrs.org
Postal	IFRS Foundation 30 Cannon Street London EC4M 6XH United Kingdom

All comments will be on the public record and posted on our website unless confidentiality is requested. Such requests will not normally be granted unless supported by good reason, for example, commercial confidence. Please see our website for details on this and how we use your personal data.

[Draft] Amendments to IFRS 10 *Consolidated Financial Statements*

Paragraph 31 is amended. New text is underlined.

Investment entities: exception to consolidation

31 **Except as described in paragraph 32, an investment entity shall not consolidate its subsidiaries or apply IFRS 3 when it obtains control of another entity. Instead, an investment entity shall measure an investment in a subsidiary at fair value through profit or loss in accordance with IFRS 9.[2] When an investment entity has an investment in a subsidiary that is quoted in an active market, its fair value shall be the product of the quoted price multiplied by the quantity of the financial instruments that make up the investment, without adjustment, in accordance with IFRS 13 *Fair Value Measurement*.**

In Appendix C, paragraph C1D and paragraphs C6C–C6D and their related heading are added. New text is underlined.

Effective date

...

C1D [Draft] *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value* (Amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36 and Illustrative Examples for IFRS 13), issued in [date], amended paragraph 31 and added paragraphs C6C–C6D and their related heading. An entity shall apply those amendments for annual periods beginning on or after 1 January 201X. Earlier application is permitted. If an entity applies those amendments earlier, it shall disclose that fact and apply the amendments to IFRS 12, IAS 27, IAS 28 and IAS 36 at the same time. The transition requirements of those amendments are detailed in paragraphs C6C–C6D.

...

Transition

...

Measuring quoted investments in subsidiaries at fair value

C6C At the date of initial application of the amendments referred to in paragraph C1D, an entity shall adjust its opening retained earnings to account for any difference between the previous carrying amount of the investment(s) in a

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subsidiary(ies) that is quoted in an active market and the carrying amount of that quoted investment(s) at the beginning of the reporting period in which the amendments are first applied.

C6D For investments in subsidiaries that are quoted in an active market at the date that the amendments are initially applied, an entity shall disclose the effect of the amendments recognised in its opening retained earnings for the reporting period in which the amendments are first applied.

[Draft] Amendments to the Basis for Conclusions on IFRS 10 *Consolidated Financial Statements*

The following footnote is added to paragraph BC283 and to the second sentence of paragraph BC296. New text is underlined.

[Draft] *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value* (Amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36 and Illustrative Examples for IFRS 13), issued in [date], requires that the measurement of investments in subsidiaries, joint ventures and associates that are quoted in an active market at fair value, and the measurement of the recoverable amount of cash-generating units that correspond to entities that are quoted in an active market on the basis of fair value less costs of disposal, shall be determined by multiplying the quoted prices by the quantity of the financial instruments that make up those investments or cash-generating units, without adjustment, in accordance with IFRS 13.

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[Draft] Amendments to IFRS 12 *Disclosure of Interests in Other Entities*

Paragraph 21 is amended. New text is underlined.

Nature, extent and financial effects of an entity's interests in joint arrangements and associates

21 An entity shall disclose:

(a) ...

(b) for each joint venture and associate that is material to the reporting entity:

(i) ...

(iii) if the joint venture or associate is accounted for using the equity method, the fair value of its investment in the joint venture or associate, if there is a quoted market price for the investment. The fair value of an investment in a joint venture or associate that is quoted in an active market shall be the product of the quoted price multiplied by the quantity of the financial instruments that make up the investment, without adjustment, in accordance with IFRS 13 *Fair Value Measurement*.

In Appendix C, paragraph C1C is added. New text is underlined.

Effective date and transition

...

C1C [Draft] *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value* (Amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36 and Illustrative Examples for IFRS 13), issued in [date], amended paragraph 21. An entity shall apply that amendment prospectively for annual periods beginning on or after 1 January 201X. Earlier application is permitted. If an entity applies that amendment earlier, it shall disclose that fact and apply the amendments to IFRS 10, IAS 27, IAS 28 and IAS 36 at the same time.

[Draft] Amendments to IAS 27 *Separate Financial Statements*

Paragraph 18F is amended and paragraphs 10A and 18K–18M are added. Deleted text is struck through and new text is underlined.

Preparation of separate financial statements

...

10A When an entity has elected, in accordance with paragraph 10, to account for its investments in subsidiaries, joint ventures and associates in accordance with IFRS 9, and those investments are quoted in an active market, their fair value shall be the product of the quoted price multiplied by the quantity of the financial instruments that make up the investments, without adjustment, in accordance with IFRS 13 *Fair Value Measurement*.

...

Effective date and transition

...

18F Before the date that IFRS 13 ~~*Fair Value Measurement*~~ is adopted, an investment entity shall use the fair value amounts previously reported to investors or to management, if those amounts represent the amount for which the investment could have been exchanged between knowledgeable, willing parties in an arm's length transaction at the date of the valuation.

...

18K [Draft] *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value* (Amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36 and Illustrative Examples for IFRS 13), issued in [date], amended paragraph 18F and added paragraphs 10A and 18L–18M. An entity shall apply those amendments for annual periods beginning on or after 1 January 201X. Earlier application is permitted. If an entity applies those amendments earlier, it shall disclose that fact and apply the amendments to IFRS 10, IFRS 12, IAS 28 and IAS 36 at the same time.

18L At the date of initial application of the amendments referred to in paragraph 18K, an entity shall adjust its opening retained earnings (or other component of equity, as appropriate) to account for any difference between the previous carrying amount of the investment(s) in a subsidiary(ies), joint venture(s) or associate(s) that is quoted in an active market and the carrying amount of that quoted investment(s) at the beginning of the reporting period in which the amendments are first applied.

18M For investments in subsidiaries, joint ventures or associates that are quoted in an active market at the date that the amendments are initially applied, an entity shall disclose the effect of the amendments recognised in its opening retained

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earnings (or other component of equity, as appropriate) for the reporting period in which the amendments are first applied.

[Draft] Amendments to the Basis for Conclusions on IAS 27 *Separate Financial Statements*

The following footnote is added to the third sentence of paragraph BC8A. New text is underlined.

[Draft] *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value* (Amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36 and Illustrative Examples for IFRS 13), issued in [date], requires that the measurement of investments in subsidiaries, joint ventures and associates that are quoted in an active market at fair value, and the measurement of the recoverable amount of cash-generating units that correspond to entities that are quoted in an active market on the basis of fair value less costs of disposal, shall be determined by multiplying the quoted prices by the quantity of the financial instruments that make up those investments or cash-generating units, without adjustment, in accordance with IFRS 13 *Fair Value Measurement*.

The footnote in paragraph BC10 is amended. Deleted text is struck through and new text is underlined.

In May 2011 the Board issued IFRS 13 ~~*Fair Value Measurement*~~, which contains the requirements for measuring fair value. [Draft] *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value* (Amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36 and Illustrative Examples for IFRS 13), issued in [date], requires that the measurement of investments in subsidiaries, joint ventures and associates that are quoted in an active market at fair value, and the measurement of the recoverable amount of cash-generating units that correspond to entities that are quoted in an active market on the basis of fair value less costs of disposal, shall be determined by multiplying the quoted prices by the quantity of the financial instruments that make up those investments or cash-generating units, without adjustment, in accordance with IFRS 13.

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[Draft] Amendments to IAS 28 *Investments in Associates and Joint Ventures*

Paragraphs 18A and 45D–45F are added. New text is underlined.

Exemptions from applying the equity method

...

18A When an entity has elected, in accordance with paragraph 18, to measure its investments in associates or joint ventures at fair value through profit or loss in accordance with IFRS 9, and those investments are quoted in an active market, their fair value shall be the product of the quoted price multiplied by the quantity of the financial instruments that make up the investments, without adjustment, in accordance with IFRS 13 *Fair Value Measurement*.

Effective date and transition

...

45D [Draft] *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value* (Amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36 and Illustrative Examples for IFRS 13), issued in [date], added paragraphs 18A and 45E–45F. An entity shall apply those amendments for annual periods beginning on or after 1 January 201X. Earlier application is permitted. If an entity applies those amendments earlier, it shall disclose that fact and apply the amendments to IFRS 10, IFRS 12, IAS 27 and IAS 36 at the same time.

45E At the date of initial application of the amendments referred to in paragraph 45D, an entity shall adjust its opening retained earnings to account for any difference between the previous carrying amount of the investment(s) in an associate(s) or a joint venture(s) that is quoted in an active market and the carrying amount of that quoted investment(s) at the beginning of the reporting period in which the amendments are first applied.

45F For investments in associates or joint ventures that are quoted in an active market at the date that the amendments are initially applied, an entity shall disclose the effect of the amendments recognised in its opening retained earnings for the reporting period in which the amendments are first applied.

[Draft] Amendments to the Basis for Conclusions on IAS 28 *Investments in Associates and Joint Ventures*

The following footnote is added to paragraph BC13. New text is underlined.

[Draft] *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value* (Amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36 and Illustrative Examples for IFRS 13), issued in [date], requires that the measurement of investments in subsidiaries, joint ventures and associates that are quoted in an active market at fair value, and the measurement of the recoverable amount of cash-generating units that correspond to entities that are quoted in an active market on the basis of fair value less costs of disposal, shall be determined by multiplying the quoted prices by the quantity of the financial instruments that make up those investments or cash-generating units, without adjustment, in accordance with IFRS 13 *Fair Value Measurement*.

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[Draft] Amendments to IAS 36 *Impairment of Assets*

Paragraphs 21A and 140N–140O are added. New text is underlined.

Measuring recoverable amount

...

21A When an asset is an investment in a subsidiary, joint venture or associate that is quoted in an active market, its fair value shall be the product of the quoted price multiplied by the quantity of the financial instruments that make up the investments, without adjustment, in accordance with IFRS 13 *Fair Value Measurement*. To determine fair value less costs of disposal, disposal costs are deducted from the fair value amount measured on this basis.

...

Transition provisions and effective date

...

140N [Draft] *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value* (Amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36 and Illustrative Examples for IFRS 13), issued in [date], added paragraphs 21A and 140O. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 January 201X. Earlier application is permitted. If an entity applies those amendments earlier, it shall disclose that fact and apply the amendments to IFRS 10, IFRS 12, IAS 27 and IAS 28 at the same time.

140O If an entity recognised an impairment loss or an impairment loss reversal as at the date that the amendments referred to in paragraph 140N are initially applied, the entity shall disclose the impairment loss amount or impairment loss reversal, if any, that would have been recognised in the immediately preceding period presented as if the amendments had been applied in that period.

[Draft] Amendments to the Basis for Conclusions on IAS 36 *Impairment of Assets*

The following footnote is added to paragraph BCZ15. New text is underlined.

[Draft] *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value* (Amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36 and Illustrative Examples for IFRS 13), issued in [date], requires that the measurement of investments in subsidiaries, joint ventures and associates that are quoted in an active market at fair value, and the measurement of the recoverable amount of cash-generating units that correspond to entities that are quoted in an active market on the basis of fair value less costs of disposal, shall be determined by multiplying the quoted prices by the quantity of the financial instruments that make up those investments or cash-generating units, without adjustment, in accordance with IFRS 13.

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[Draft] Amendments to the Illustrative Examples for IFRS 13 *Fair Value Measurement*

Paragraphs IE47A–IE47G and their related heading are added. New text is underlined.

Application to financial assets and financial liabilities with offsetting positions in market risks or counterparty credit risk

IE47A Example 13A illustrates the application of the exception in paragraph 48 of the IFRS to a group of financial assets and financial liabilities whose market risks are substantially the same and whose fair value measurement is categorised within Level 1 of the fair value hierarchy.

Example 13A—Applying the exception in paragraph 48 of the IFRS to a group of financial assets and financial liabilities whose market risks are substantially the same and whose fair value measurement is categorised within Level 1 of the fair value hierarchy

IE47B Entity A holds a group of financial assets and financial liabilities consisting of a long position of 10,000 financial assets and a short position of 9,500 financial liabilities whose market risks are substantially the same. Entity A manages that group of financial assets and financial liabilities on the basis of its net exposure to market risks. The fair value measurement of all the financial instruments in the group is categorised within Level 1 of the fair value hierarchy.

IE47C The mid-price and the most representative bid and ask prices are as follows:

CU	Bid	Mid	Ask
Most representative exit price	99	100	101

IE47D Entity A applies the exception in paragraph 48 of the IFRS that permits Entity A to measure the fair value of the group of financial assets and financial liabilities on the basis of the price that would be received to sell, in this particular case, a net long position (ie an asset) in an orderly transaction between market participants at the measurement date under current market conditions.

IE47E Accordingly, Entity A measures the net long position (500 financial assets) in accordance with the corresponding Level 1 prices. Because the market risks arising from the financial instruments are substantially the same, the measurement of the net position coincides with the measurement of the exposure arising from the group of financial assets and financial liabilities. Consequently, Entity A measures the group of financial assets and financial liabilities on the basis of the price that it would receive if it would exit or close out its outstanding exposure as follows:

	Quantity held (Q)	**Level 1 price (CU) (P)**	**(CU) P × Q**
Net long position	500	99	49,500

IE47F Entity A would have also achieved the same measurement of CU49,500 by measuring the net long position at the mid-price (ie CU100 × 500 = CU50,000) adjusted by a bid-offer reserve (CU1 × 500 = CU500).

IE47G Entity A allocates the resulting measurement (ie CU49,500) to the individual (10,000) financial assets and (9,500) financial liabilities. In accordance with paragraph 51 of the IFRS, Entity A performs this allocation on a reasonable basis that is consistent with previous allocations of that nature using a methodology appropriate to the circumstances.

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Approval by the Board of *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value* (Proposed amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36 and Illustrative Examples for IFRS 13) published in September 2014

The Exposure Draft *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value* was approved for publication by thirteen of the fourteen members of the International Accounting Standards Board. Mr Edelmann dissented. His dissenting opinion is set out after the Basis for Conclusions.

Hans Hoogervorst	Chairman
Ian Mackintosh	Vice-Chairman
Stephen Cooper	
Philippe Danjou	
Martin Edelmann	
Patrick Finnegan	
Gary Kabureck	
Suzanne Lloyd	
Takatsugu Ochi	
Amaro Luiz de Oliveira Gomes	
Darrel Scott	
Chungwoo Suh	
Mary Tokar	
Wei-Guo Zhang	

Basis for Conclusions on the Exposure Draft

This Basis for Conclusions accompanies, but is not part of, the proposed amendments.

Unit of account and fair value measurement when Level 1 inputs are available

BC1 After issuing IFRS 13 *Fair Value Measurement*, the International Accounting Standards Board (IASB) received questions about the unit of account for financial assets that are investments in subsidiaries, joint ventures or associates. The IASB was asked whether the unit of account of such investments was the investment as a whole or the individual financial instruments included within that investment (see paragraphs BC3–BC7) and the interaction between the guidance in IFRS 13 on the use of Level 1 inputs and the unit of account of those investments (see paragraphs BC8–BC14).

BC2 The IASB also received a similar question about the interaction between the use of Level 1 inputs and the measurement of the recoverable amount on the basis of fair value less costs of disposal of a cash-generating unit (CGU), when the CGU corresponds to an entity that is quoted in an active market (quoted CGU—see paragraphs BC15–BC19). In addition, the IASB also received questions relating to the application of the exception in paragraph 48 of IFRS 13 (see paragraphs BC20–BC29).

The unit of account for investments in subsidiaries, joint ventures and associates

BC3 The IASB learned that the question about the unit of account for investments in subsidiaries, joint ventures and associates that are within the scope of IFRS 10 *Consolidated Financial Statements*, IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* was raised because the measurement requirements for those investments in those Standards refer to IFRS 9 *Financial Instruments*, and IFRS 9 refers to the fair value measurement of individual financial instruments. In particular, the question that the IASB was asked was whether those references to IFRS 9 refer only to the measurement basis of the investments (for example, fair value through profit or loss) or whether they also prescribe the unit of account of those investments (ie the individual financial instruments that make up the investment).

BC4 The requirements of those Standards are:

(a) IFRS 10, which states that an investment entity should “measure its investments in particular subsidiaries at fair value through profit or loss in accordance with IFRS 9” and IAS 28, which states that an “entity may elect to measure investments in … associates and joint ventures at fair value through profit or loss in accordance with IFRS 9”; and

(b) IAS 27, which states that “when an entity prepares separate financial statements, it shall account for investments in subsidiaries, joint ventures and associates either: at (a) cost, or (b) in accordance with IFRS 9”.

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BC5 The IASB noted that the references to IFRS 9 in those requirements were intended to ensure that entities use the requirements in IFRS 9 when:

(a) measuring investments at fair value through profit or loss. By referring to IFRS 9 instead of simply stating that the measurement was at fair value through profit of loss, it was intended that all of the requirements in IFRS 9 relevant to this measurement would apply. For example, the treatment of any differences between the fair value at initial recognition and the transaction price would be in accordance with IFRS 9.

(b) accounting for such investments in the entity's separate financial statements (for example, either by measuring those investments at fair value through profit or loss or by making an irrevocable election at initial recognition to present in other comprehensive income subsequent changes in the fair value of those investments when allowed).

BC6 The IASB noted that the nature of an entity's relationship with an investee, based on the level of control or influence in that investee, is the relevant characteristic for those investments to be included within the scope of IFRS 10, IAS 27 and IAS 28. As a result, that characteristic (ie the level of control or influence) would highlight that the relevant unit of account in those Standards is the investment to which that key characteristic applies, instead of the individual financial instruments that make up the investment.

BC7 Consequently, on the basis of the arguments stated in paragraph BC6 and the current requirements in IFRS 10, IAS 27 and IAS 28 (see paragraph BC4), the IASB concluded that the unit of account is the investment as a whole. References to IFRS 9 should be read as referring to the measurement basis and as prescribing that an entity must apply all the accounting requirements in that Standard, such as the ones mentioned in paragraph BC5.

Interaction between Level 1 inputs and the unit of account for investments in subsidiaries, joint ventures and associates

BC8 When discussing the interaction between the requirements in paragraphs 69 and 80 of IFRS 13 on the use of Level 1 inputs and the unit of account for investments in subsidiaries, joint ventures and associates, the IASB learned that there were different views about how an entity should measure the fair value of investments that are quoted in an active market (quoted investments). Those views were triggered by different interpretations of the requirements in paragraphs 69 and 80 of IFRS 13, which resulted in two different approaches for measuring quoted investments at fair value:

(a) one view considered that there was no Level 1 input for the unit of account (ie the investment as a whole). Consequently, for those supporting this view, there is no applicable Level 1 price available and, therefore, the investment's fair value should be measured using either another valuation technique or by adjusting the Level 1 price to reflect differences between the investment and the underlying individual financial instruments.

(b) a second view considered that because the investment is composed of individual financial instruments that have a Level 1 price, that Level 1 price must be used following the principles in IFRS 13 and the fair value measurement of those investments would be the product of the quoted price (P) multiplied by the quantity of the individual financial instruments held (Q), or P × Q, without adjustments.

BC9 The IASB proposes amending IFRS 10, IAS 27 and IAS 28 to clarify that even though the unit of account for investments in subsidiaries, joint ventures and associates is the investment as a whole, if those investments are made up of financial instruments that have a quoted price in an active market (ie a Level 1 input), the fair value measurement of those investments should be the product of the quoted price multiplied by the quantity of financial instruments held, without adjustments (ie the second view in paragraph BC8).

BC10 The IASB reached this conclusion because it believes that the resulting measurements are more relevant, objective and verifiable when they are based on unadjusted Level 1 inputs (see paragraph BC168 of IFRS 13). In addition, the resulting measurements would also be more closely aligned with the following principles in IFRS 13:

(a) maximisation of the use of relevant observable inputs and minimisation of the use of unobservable inputs (see paragraph 61 of IFRS 13); and

(b) Level 1 inputs should be used without adjustments whenever they are available (see paragraphs 69, 77 and 80 of IFRS 13).

BC11 In addition, the IASB noted that the measurement of controlling interests at fair value had become more relevant following the investment entities amendments to IFRS 10. In this regard, the IASB noted that, in accordance with IFRS 10, an investment entity, or other members of the group containing the entity, should not obtain benefits from its investees that would be unavailable to other investors in the investee (see paragraphs B85I and BC242 of IFRS 10). The measurements resulting from these proposed amendments would be consistent with the investment entities amendments by preventing the inclusion of control premium adjustments to Level 1 inputs.

BC12 The IASB noted that the main effect of the proposed amendments would be on entities such as investment entities who measure subsidiaries, joint ventures and associates at fair value in their consolidated financial statements. In most other cases, this measurement would only apply in separate financial statements at an entity's election. Consequently, the IASB believes that the proposed amendments affecting Level 1 fair value measurements will have limited effects. This is also because:

(a) on the basis of the feedback gathered during the Investment Entities project, the majority of the investments held by investment entities will result in Level 2 or Level 3 fair value measurements; and

(b) entities with quoted investments and investment entities with quoted investments (on the basis of the arguments in paragraph BC11) may already be applying the measurement requirements in IFRS 13 in a manner that is consistent with these proposed amendments.

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BC13 The IASB also considered whether the proposed amendments should include additional disclosure requirements. It concluded that the disclosure requirements in IFRS 13 were sufficient and that no additional disclosures were necessary.

BC14 The IASB also proposes to make the same clarification in IFRS 12 *Disclosure of Interests in Other Entities* (see paragraph BC9). The IASB also considered making similar amendments to IFRS 3 *Business Combinations* to clarify that the fair value measurement of non-controlling interests or previously held equity investments quoted in an active market (quoted non-controlling interests and previously held quoted equity investments) should be the product of the quoted price multiplied by the quantity of financial instruments held by the quoted non-controlling interests or in the previously held quoted equity investment, without adjustments. The IASB however concluded that these potential amendments would be better dealt with as part of the Post-implementation Review of IFRS 3 and, therefore, this Exposure Draft does not propose to amend that Standard.

Measuring the fair value of a CGU that corresponds to a quoted entity

BC15 The IASB also discussed how the recoverable amount of a CGU measured on the basis of fair value less costs of disposal should be measured when the CGU corresponds to an entity that is quoted in an active market (quoted CGU). The IASB noted that the two views stated in paragraph BC8 would also apply to the measurement of the recoverable amount of quoted CGUs on the basis of fair value less costs of disposal.

BC16 The IASB observed that under the first view, the fair value of a quoted CGU would reflect the characteristics of the CGU as a whole (for example, its fair value would reflect the value of control, if applicable) and would result in measurements for which Level 1 inputs would be adjusted or for which another valuation technique (for example, the discounted cash flow method) would be used.

BC17 The IASB observed that, under the second view set out in paragraph BC8, the fair value measurement of a quoted CGU would be determined using unadjusted Level 1 inputs.

BC18 The IASB proposes to amend IAS 36 to clarify that the recoverable amount of a quoted CGU measured on the basis of fair value less costs of disposal should be measured by multiplying the Level 1 price (P) by the quantity of financial instruments that made up the investment held (Q), or P × Q, without adjustments, which is consistent with paragraph 80 of IFRS 13. Costs of disposal are deducted from the fair value amount measured on this basis.

BC19 This would align the fair value measurement of a quoted CGU to the fair value measurement of a quoted investment (see paragraphs BC8–BC14). The IASB acknowledged that the price of individual financial instruments might not be viewed by some as representative of the fair value of the CGU as a whole. However, IFRS 13 prioritises the use of Level 1 inputs because of the relevance and verifiability of the fair value measurements. Consequently, the IASB decided

that, consistent with those requirements, a quoted CGU should be measured using the quoted prices for the individual financial instruments.

Application to financial assets and financial liabilities with offsetting positions in market risks or counterparty credit risk

BC20 The IASB was asked to address different views about how an entity should measure the fair value of an entity's net exposure to market risks arising from a group of financial assets and financial liabilities whose market risks are substantially the same. There are also perceived conflicts when trying to reconcile the unit of account (individual financial instruments) with the measurement of an entity's risk exposure arising from a group of financial assets and financial liabilities on a net basis, particularly when that group includes financial instruments whose fair value measurement would be categorised within Level 1 of the fair value hierarchy.

BC21 One view would result in the measurement of each of the financial assets and financial liabilities within that group on the basis of their Level 1 prices. Those supporting this view would not apply the exception in paragraph 48 of IFRS 13 when the fair value measurement of financial instruments in the group of financial assets and financial liabilities whose market risks are substantially the same is categorised within Level 1 of the fair value hierarchy. Those supporting this view argue that the existence of Level 1 prices would prevent an entity applying the exception in paragraph 48 of IFRS 13.

BC22 A second view supports the application of the exception in paragraph 48 of IFRS 13 when measuring the net exposure to market risks arising from a group of financial assets and financial liabilities whose market risks are substantially the same and whose fair value measurement is categorised within Level 1 of the fair value hierarchy. Under this view, an entity would apply the exception in paragraph 48 to such a group of financial assets and financial liabilities and would measure the net risk exposure by considering the number of financial instruments that make up the net position multiplied by the corresponding Level 1 prices.

BC23 A third view considers that the unit of measurement is the net risk exposure for which there are no Level 1 inputs available. As a result, the fair value of the net risk exposure should be measured by applying a valuation technique that considers its characteristics. In accordance with this view, the fair value measurement should be based on the net position measured in accordance with the corresponding Level 1 prices adjusted for premiums or discounts if those are believed to be features of the unit of measurement (ie the net risk exposure).

BC24 In its discussions the IASB highlighted that the primary reason for introducing the exception in paragraph 48 of IFRS 13 was to align the valuation of financial instruments for financial reporting to an entity's internal risk management practices. In addition, the exception in paragraph 48 was introduced in IFRS 13 for the following reasons:

(a) entities generally do not manage their exposure to market and credit risks arising from financial instruments on the basis of each individual financial instrument. Instead, risk exposures are often managed on a

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portfolio basis (ie entities do not manage all of the individual financial assets and the individual financial liabilities but instead manage the risk exposure arising from the net position of the portfolio of financial assets and financial liabilities). In addition such exposures are managed not by either selling a financial asset or by transferring a financial liability, but instead by entering into offsetting risk positions through other financial instruments. Consequently, the exception in paragraph 48 of IFRS 13 allows entities to measure the fair value of a group of financial assets and financial liabilities consistently with how market participants would price such net risk exposures.

(b) to have a consistent valuation basis for all financial instruments for which entities can identify the natural offsets and manage their risk in a manner that maximises value to an entity.

(c) to maintain existing practice under IAS 39 *Financial Instruments: Recognition and Measurement* (see paragraph BC27(a)).

BC25 The IASB believed that to answer the question raised (see paragraph BC20) it is necessary to address the appropriate price (P) and the appropriate quantity of financial instruments (Q) that are to be used when applying paragraph 48 of IFRS 13 to a group of financial assets and financial liabilities whose market risks are substantially the same and whose fair value measurement is categorised within Level 1 of the fair value hierarchy. In relation to P, the IASB believed that the Level 1 prices are the prices to be considered, because of the following principles in IFRS 13:

(a) maximisation of the use of relevant observable inputs and minimisation of the use of unobservable inputs (see paragraph 61 of IFRS 13); and

(b) Level 1 inputs should be used without adjustments whenever they are available (see paragraphs 69, 77 and 80 of IFRS 13).

BC26 In relation to Q, the IASB believed that the quantity of financial instruments should reflect the net position because:

(a) the market risks of the financial assets and financial liabilities are substantially the same and, as a result, they can be offset; and

(b) the net position reflects how an entity would exit or close out such outstanding risk exposure.

BC27 The conclusions reached by the IASB on P and Q support the second view in paragraph BC22. The IASB considered the following additional factors:

(a) the second view represents a continuity with practice under IAS 39 and IFRS 9, which the IASB did not intend to change when issuing IFRS 13. IAS 39 and IFRS 9 permit an entity to take into account the effects of offsetting positions within the same market risk (or risks) when measuring the fair value of a financial asset or financial liability, which was also extended to credit risk by analogy by some entities (see paragraph BC110 of IFRS 13). A difference in the measurement under IAS 39 and the second view could only arise if there was a difference between the bid or ask price and the price within the bid-ask spread that is the most representative of fair value.

(b) the third view in paragraph BC23 incorporates adjustments for premiums or discounts to the Level 1 inputs, which are not permitted in a fair value measurement in accordance with IFRS 13 (see paragraphs 69, 77 and 80 of IFRS 13).

(c) the measurement resulting from the second view is the one that maximises value for an entity, which would be aligned to the assumption that market participants act in their economic best interest, which is consistent with the requirements in IFRS 13 (see paragraph 22 of IFRS 13).

BC28 Consequently, the IASB concluded that if an entity elects to use the exception in paragraph 48 of IFRS 13, the appropriate fair value measurement of the net risk exposure arising from a group of financial assets and financial liabilities whose market risks are substantially the same, and whose fair value measurement is categorised within Level 1 of the fair value hierarchy, would be provided by the second view. In accordance with this view, an entity would multiply the financial instruments included in the resulting net position by the corresponding Level 1 price.

BC29 The IASB additionally concluded that if an entity applies the exception in paragraph 48 of IFRS 13, the second view would result from the application of the measurement principles in IFRS 13, as stated in paragraphs BC25–BC27. Consequently, the IASB concluded that amendments to IFRS 13 were not needed to clarify the application of the exception in paragraph 48 for the specific case discussed. However, because the existence of different views could impair consistent application of the Standard, the IASB decided to propose including an example to illustrate the application of paragraph 48.

Transition provisions for the Exposure Draft *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value* (Proposed amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36 and Illustrative Examples for IFRS 13)

BC30 The IASB noted that the effects that these amendments might have on the fair value measurements of an entity's quoted investments or quoted CGUs are similar to any changes that the implementation of IFRS 13 may have caused in the way that entities measured fair value. In paragraph BC229 of IFRS 13 the IASB concluded that IFRS 13 should be applied prospectively in the same way as a change in accounting estimate, because a change in the methods used to measure fair value would be inseparable from a change in the fair value measurements.

BC31 In the case of quoted investments, the IASB proposes that an entity should adjust its opening retained earnings (or other component of equity, as appropriate) to account for any difference between the previous carrying amount of the quoted investment(s) in a subsidiary(ies), joint venture(s) or associate(s) and the carrying amount of that quoted investment(s) at the beginning of the reporting period in which the amendments are first applied. The IASB believed that that transition provision would enable users of the financial statements to distinguish between

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the effect of the amendments on previous reporting periods from the effect of the amendments in the reporting period in which the amendments are first applied.

BC32 The IASB also proposes that an entity should disclose the effect of the amendments recognised in its opening retained earnings (or other component of equity, as appropriate) for the reporting period in which the amendments are first applied.

BC33 In the case of quoted CGUs, the IASB proposes that the amendments regarding the measurement of the recoverable amount on the basis of fair value less costs of disposal should be applied prospectively, because retrospective application:

(a) could lead to a reversal of goodwill impairment, which would conflict with the requirements in paragraph 124 of IAS 36, which prohibits reversing, in a subsequent period, an impairment loss recognised for goodwill.

(b) could result in undue cost, because it may cause entities to change the base of the assets by adjusting amortisation and corresponding accumulated amortisation balances as a result of impairment losses recognised in previous reporting periods being fully or partially reversed or recognised or increased.

(c) it may not result in useful information. The IASB believed that the usefulness of information about the impact of the proposed amendments on previous reporting periods' impairment losses would be restricted to only those instances in which an entity has incurred, or reversed, an impairment loss during the reporting period in which it implemented the amendments. Consequently, the IASB proposes that those entities that have recognised an impairment loss or an impairment loss reversal during the reporting period in which the amendments are first applied should provide quantitative information about the impact on the impairment loss amount (ie the impairment loss amount or impairment loss reversal, if any, that the entity would have recognised) in the immediately preceding reporting period presented as if the amendments had been applied in that period.

BC34 As mentioned in paragraph BC14, the IASB also noted that the clarifications about the fair value measurements of quoted investments in IFRS 10, IAS 27 and IAS 28 should also be extended to IFRS 12. In the case of the proposed amendments to IFRS 12, the IASB concluded that prospective application is most appropriate, because the disclosures required for quoted investments at the date of transition (see paragraph BC32) will compensate for any lack of comparability between the disclosures provided in the reporting period in which the proposed amendments are first applied and the immediately preceding reporting period. Consequently, the IASB concluded that retrospective application of the proposed amendments in the case of IFRS 12 is not needed.

BC35 The IASB also proposes that an entity should be permitted to apply the proposed amendments in each of the Standards early. However, if an entity applies the proposed amendments in any of the Standards early, it must also apply the other proposed amendments in the other Standards at the same time. This is because

applying the proposed amendments of some but not all of the Standards could cause unwarranted confusion and lack of comparability among financial statements.

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Dissenting opinion

DO1 Mr Edelmann voted against the publication of the Exposure Draft *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value* (Proposed amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36 and Illustrative Examples for IFRS 13) because he disagrees with two substantial conclusions reached by the IASB, namely that:

(a) the fair value measurement of an investment in subsidiaries, joint ventures and associates composed of quoted financial instruments in an active market should be the product of the quoted price of the financial instruments (P) multiplied by the quantity (Q) of financial instruments held (ie P × Q); and

(b) the recoverable amount of CGUs that correspond to entities that are quoted in an active market measured on the basis of fair value less costs of disposal should be based on the product of their quoted price (P) multiplied by the quantity (Q) of financial instruments held (ie P × Q).

DO2 Mr Edelmann agrees with the IASB's conclusion that the unit of account is the investment as a whole instead of the individual financial instruments that make up the investment. As a consequence, Mr Edelmann believes that the unit of account used for the fair value measurement should also be the investment as a whole and not the underlying financial instruments, which are not 'the asset' being measured at fair value. Consequently, the individual financial instruments' Level 1 input cannot be the sole determinant of the fair value of the investment. Instead, the investment's fair value should either be measured using another valuation technique or by adjusting the Level 1 input to reflect the price differences between the investment as a whole and the underlying individual financial instruments.