AASB Staff Summary of IFRS Interpretations Committee Decisions November 2014

At the IFRS Interpretations Committee (Committee) meeting held on 11 November 2014, the Committee made final agenda decisions relating to:

- IFRS 12 *Disclosure of Interests in Other Entities*—Disclosure of summarised financial information about material joint ventures and associates;
- IAS 16 *Property, Plant and Equipment* and IAS 2 *Inventories*—Accounting for core inventories;
- IAS 21 *The Effects of Changes in Foreign Exchange Rates*—Foreign exchange restrictions and hyperinflation; and
- IAS 39 *Financial Instruments: Recognition and Measurement*—Holder's accounting for exchange of equity instruments (see Part A below).

The Committee also made tentative agenda decisions in relation to:

- IFRS 10 *Consolidated Financial Statements*—Single-asset, single lessee lease vehicles and the assessment of control under IFRS 10. In what circumstances does the lender or lessee consolidate?;
- IFRS 10 *Consolidated Financial Statements*—Control of a structured entity by a junior lender;
- IFRS 11 *Joint Arrangements*—Classification of joint arrangements: the assessment of 'other facts and circumstances';
- IFRS 11 *Joint Arrangements*—Classification of joint arrangements: application of 'other facts and circumstances' to specific fact patterns;
- IFRS 11 *Joint Arrangements*—Classification of joint arrangements: consideration of two joint arrangements with similar features that are classified differently;
- IFRS 11 *Joint Arrangements*—Accounting by the joint operator: recognition of revenue by a joint operator;
- IFRS 11 *Joint Arrangements*—Accounting by the joint operator: the accounting treatment when the joint operator's share of output purchased differs from its share of ownership interest in the joint operation;
- IFRS 11 *Joint Arrangements*—Accounting in separate financial statements: accounting by the joint operator in its separate financial statements;
- IFRS 11 *Joint Arrangements*—Accounting by the joint operation: accounting by the joint operation that is a separate vehicle in its financial statements;
- IAS 12 *Income Taxes*—Selection of applicable tax rate for measurement of deferred tax relating to investment in associate; and
- IAS 19 *Employee Benefits*—Should longevity swaps held under a defined benefit plan be measured at fair value as part of plan assets or on another basis as a qualifying insurance policy? (see Part B below).

The Committee also discussed issues on its current agenda (see Part C below), issues for Annual Improvements (see Part D below) and work in progress. The tables below provide our overview of key items discussed and decisions made.

Part A: Summary of final agenda decisions

	Topic	Brief Description	AASB staff comments
A1	IFRS 12 *Disclosure of Interests in Other Entities*—Disclosure of summarised financial information about material joint ventures and associates	The Interpretations Committee received a request to clarify the requirement to disclose summary financial information on material joint ventures and associates in paragraph 21(b)(ii) of IFRS 12 and its interaction with the aggregation principle in paragraphs 4 and B2–B6 of IFRS 12. The submitter asserts that there are two ways to interpret the application of those paragraphs. Either the information required in paragraph 21(b)(ii) of IFRS 12 can be disclosed in aggregate for all material joint ventures or associates or such information should be disclosed individually for each material joint venture or associate. The submitter also asked the Interpretations Committee to clarify the requirements in paragraph 21(b)(ii) of IFRS 12 when the information relates to a listed joint venture or associate, and local regulatory requirements would prevent the investor from disclosing such information until the joint venture or associate has released its own financial statements. Would the investor be excused from disclosing the information? The Interpretations Committee noted that it expected the requirement in paragraph 21(b)(ii) of IFRS 12 to lead to the disclosure of summarised information on an individual basis for each joint venture or associate that is material to the reporting entity. The Interpretations Committee observed that this reflects the IASB's intentions as described in paragraph BC50 of IFRS 12. The Interpretations Committee also noted that there is no provision in IFRS 12 that permits the non-disclosure of the information required in paragraph 21(b)(ii) of IFRS 12. The Interpretations Committee analysed the results of the outreach request performed by the staff. This outreach indicated that there was no significant diversity observed in the application of IFRS 12 related to this issue. In the light of the existing IFRS requirements, and on the basis of the outreach results received, the Interpretations Committee determined that neither an Interpretation nor an amendment to a Standard was necessary and therefore decided not to add this issue to its agenda.	**AASB staff agree** with the Committee's decision not to add the issue to its agenda in light of existing IFRS guidance.

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<tr><th></th><th>Topic</th><th>Brief Description</th><th>AASB staff comments</th></tr>
<tr><td>A2</td><td>IAS 16 Property, Plant and Equipment and IAS 2 Inventories—Accounting for core inventories</td><td>The Interpretations Committee received a request to clarify the accounting for ‘core inventories’. The submitter defined core inventories as a minimum amount of material that:
(a) is necessary to permit a production facility to start operating and to maintain subsequent production;
(b) cannot be physically separated from other inventories; and
(c) can be removed only when the production facility is finally decommissioned or is at a considerable financial charge.

The issue is whether core inventories should be accounted for under IAS 16 or IAS 2.

The Interpretations Committee discussed the issue at its March 2014 meeting and tentatively decided to develop an Interpretation. The Interpretations Committee further directed the staff to define the scope of what is considered to be core inventories and to analyse the applicability of the concept to a range of industries.

At its July 2014 meeting the Interpretations Committee discussed the feedback received from informal consultations with IASB members, the proposed scope of core inventories and the staff analysis of the applicability of the issue to a range of industries.

The Interpretations Committee observed that what might constitute core inventories, and how they are accounted for, can vary between industries. The Interpretations Committee noted that significant judgement might be needed in determining the appropriate accounting. Disclosure about such judgements might therefore be needed in accordance with paragraph 122 of IAS 1 Presentation of Financial Statements.

The Interpretations Committee noted that it did not have clear evidence that the differences in accounting were caused by differences in how IAS 2 and IAS 16 were being applied. In the absence of such evidence, the Interpretations Committee decided to remove this item from its agenda.</td><td>The AASB wrote to the Committee on this issue in September 2014[1] noting concern for the wording within the tentative agenda decision. AASB staff note that the Committee responded to the AASB concerns in relation to removing the reference to diversity ‘between’ and ‘within’ industries (which implies diversity ‘between’ industries does not warrant further consideration).

However, AASB staff disagree with the following wording in the final agenda decision:

The Interpretations Committee noted that it did not have clear evidence that the differences in accounting were caused by differences in how IAS 2 and IAS 16 were being applied. In the absence of such evidence, the Interpretations Committee decided to remove this item from its agenda.

AASB staff consider the fact that diversity in practice exists, irrespective of whether that diversity is confined to within industries, is indicative evidence that entities are applying IAS 2 and IAS 16 differently.

Although AASB staff disagree with the final agenda decision wording, on the basis that the agenda decision is now final, and the AASB has already written to the Committee in relation to this issue, AASB staff do not consider that writing to the Committee for a second time will result in the Committee reconsidering their decision.</td></tr>
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1 http://www.aasb.gov.au/admin/file/content102/c3/AASB_Comment_Letter_on_IFRIC_TADs_PPE_09-14.pdf (accessed on 26 November 2014)

	Topic	Brief Description	AASB staff comments
A3	IAS 21 *The Effects of Changes in Foreign Exchange Rates*—Foreign exchange restrictions and hyperinflation	The Interpretations Committee received a request for guidance on the translation and consolidation of the results and financial position of foreign operations in Venezuela. The issue arises because of strict foreign exchange controls in Venezuela. This includes the existence of several official exchange rates that may not fully reflect the local rate of hyperinflation and of restrictions over the amount of local currency that can be exchanged. Concerns were raised that using an official exchange rate to translate an entity's net investment in a foreign operation in Venezuela appeared not to appropriately reflect the financial performance and position of the foreign operation in the group's consolidated financial statements. The Interpretations Committee identified two primary accounting issues: (a) which rate should be used to translate the entity's net investment in the foreign operation when there are multiple exchange rates? (b) which rate should be used when there is a longer-term lack of exchangeability? With respect to the first issue, the Interpretations Committee observed very little diversity in the application of IAS 21 regarding the principle to use when determining which rate, out of multiple rates, to use to translate an entity's net investment in a foreign operation. The Interpretations Committee noted that predominant practice is to apply the principle in paragraph 26 of IAS 21, which gives guidance on which exchange rate to use when reporting foreign currency transactions in the functional currency when several exchange rates are available. Hence, despite the issue's widespread applicability, the Interpretations Committee decided not to take the first issue onto its agenda. With respect to the second issue, the Interpretations Committee observed that a longer-term lack of exchangeability is not addressed by the guidance in IAS 21, and so it is not entirely clear how IAS 21 applies in such situations. However, the Interpretations Committee thought that addressing this issue is a broader-scope project than it could address. Accordingly, the Interpretations Committee decided not to take this issue onto its agenda. However, the Interpretations Committee noted that several existing disclosure requirements in IFRS would apply when the impact of foreign exchange controls is material to understanding the entity's financial performance and position. Relevant disclosure requirements in IFRS include: (a) disclosure of significant accounting policies and significant judgements in applying those policies (paragraphs 117–124 of IAS 1); (b) disclosure of sources of estimation uncertainty that have a significant risk of	**AASB staff agree** with the agenda decision.

	Topic	**Brief Description**	**AASB staff comments**
		resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year, which may include a sensitivity analysis (paragraphs 125–133 of IAS 1); and (c) disclosure about the nature and extent of significant restrictions on an entity's ability to access or use assets and to settle the liabilities of the group, or its joint ventures or associates (paragraphs 10, 13, 20 and 22 of IFRS 12).	
A4	IAS 39 *Financial Instruments: Recognition and Measurement*—Holder's accounting for exchange of equity instruments	The Interpretations Committee received a request about the accounting by the holder of equity instruments in the circumstance in which the issuer exchanges its original equity instruments for new equity instruments in the same entity but with different terms. Specifically, this transaction involved equity instruments issued by a central bank, and the exchange of instruments was imposed on the holders as a consequence of a change in legislation. The submitter asked whether the holders of the equity instruments should account for this exchange under IAS 39 as a derecognition of the original equity instruments and the recognition of new instruments. The Interpretations Committee observed that: (a) because of the unique nature of the transaction, the issue is not widespread; and (b) the submitter had not identified significant diversity in accounting for this transaction among the holders of the equity instruments in question. For these reasons, the Interpretations Committee decided not to add this specific issue to its agenda. The Interpretations Committee additionally noted requests for more guidance in IAS 39 and IFRS 9 on the derecognition of financial assets that have been modified or exchanged. The staff observed that this more general matter had been raised previously with the IASB but that it had decided not to add such a project to its agenda. The Interpretations Committee asked the staff to perform further analysis to identify whether an issue of sufficiently narrow scope could be identified to be raised with the IASB. The staff's analysis will be considered at a future Interpretations Committee meeting.	**AASB staff agree** with the Committee's decision not to add the issue to the agenda. However, **AASB staff disagree** with part (b) of the agenda decision which states that: '(b) the submitter had not identified significant diversity…' **AASB staff consider** that the onus is on the Committee to determine whether significant diversity exits, not on the submitter. AASB staff would have preferred for the wording of the agenda decision to also refer to the Interpretations Committee not identifying any significant diversity. Although AASB staff disagree with the final agenda decision wording, on the basis that the agenda decision is now final, **AASB staff do not consider** that writing to the Committee will result in the Committee reconsidering their decision.

Part B: Summary of tentative agenda decisions

	Topic	Brief description	AASB staff comments
B1	IFRS 10 *Consolidated Financial Statements*—Single-asset, single lessee lease vehicles and the assessment of control under IFRS 10. In what circumstances does the lender or lessee consolidate?	The Interpretations Committee received a request for clarification about the interaction of IFRS 10 and IAS 17 *Leases*. In the submitter's example, a structured entity (the 'SE') is created to lease a single asset to a single lessee. The submitter asks whether the lessee controls the SE and whether the lessee should consolidate the SE. The lease is an operating lease as defined by IAS 17. The Interpretations Committee noted that, in assessing the effect of a lease on an assessment of power made in accordance with IFRS 10, it is necessary to make a careful assessment of the facts and circumstances. It also noted that it is not the Interpretations Committee's practice to give case-by-case advice on individual fact patterns. It concluded, however, that the principles established within IFRS 10 would enable a determination to be made when all required information is known. The Interpretations Committee further concluded that it did not expect significant diversity in the application of IFRS 10 to arise following the implementation of the Standard. Consequently, the Interpretations Committee thought that neither an Interpretation nor an amendment to a Standard is required and [decided] not to add this issue to its agenda.	**AASB staff agree** with the tentative agenda decision not to add the issue to its agenda on the basis that the determination of control in such transactions would depend on the specific facts and circumstances of each case and existing guidance in IFRS 10 would enable entities to make the assessment of control once all required information is known.
B2	IFRS 10 *Consolidated Financial Statements*—Control of a structured entity by a junior lender	The Interpretations Committee received a request for guidance related to assessing whether a particular party controls a structured entity (the 'SE') that is created to lease a single asset to a single lessee and is financed by a senior and a junior lender. The submitter asked whether the junior lender controls the SE and whether that lender should consolidate the SE. The lease is a finance lease as defined by IAS 17. The Interpretations Committee noted that, in assessing the effect of a lease on an assessment of power made in accordance with IFRS 10, it is necessary to make a careful assessment of the facts and circumstances. It also noted that it is not the Interpretations Committee's practice to give case-by-case advice on individual fact patterns. It concluded, however, that the principles and guidance in IFRS 10 would be sufficient to enable a determination to be made when all required information is known. It also noted that it had not received any evidence that there was diversity in the application of IFRS 10 on this issue. Consequently, the Interpretations Committee thought that neither an interpretation nor an amendment to the Standard was required and [decided] not to add this issue to its agenda.	**AASB staff agree** with the tentative agenda decision not to add the item to its agenda on the basis that the determination of control in such transactions would depend on the specific facts and circumstances of each case and existing guidance in IFRS 10 would enable entities to make the assessment of control once all required information is known.

	Topic	Brief description	AASB staff comments
B3	IFRS 11 *Joint Arrangements*—Classification of joint arrangements: the assessment of ‘other facts and circumstances’	In May 2014 the Interpretations Committee published an agenda decision in the IFRIC Update with regard to an issue of how an assessment of ‘other facts and circumstances’ as noted in paragraph 17 of IFRS 11 should be performed. The Interpretations Committee considered whether the assessment of other facts and circumstances should be undertaken with a view only towards whether those facts and circumstances create enforceable rights to the assets and obligations for the liabilities, or whether that assessment should also consider the design and purpose of the joint arrangement, the entity’s business needs and the entity’s past practices. The Interpretations Committee noted that paragraph 14 of IFRS 11 requires the classification of a joint arrangement as a joint operation or a joint venture to depend on the rights to the assets and the obligations for the liabilities of the parties to the arrangement, and that rights and obligations, by nature, are enforceable. The Interpretations Committee also noted that paragraph B30 of IFRS 11 explains that the assessment of other facts and circumstances would lead to the joint arrangement being classified as a joint operation when those other facts and circumstances give the parties both rights to the assets, and obligations for the liabilities, relating to the arrangement. Consequently, the Interpretations Committee noted that the assessment of other facts and circumstances should focus on whether those facts and circumstances create enforceable rights to the assets and obligations for the liabilities. The Interpretations Committee also discussed how and why particular facts and circumstances create rights to the assets and obligations for the liabilities. This discussion is described below. *How and why particular facts and circumstances create rights and obligations* The Interpretations Committee discussed how and why particular facts and circumstances create rights and obligations that result in the joint arrangement being classified as a joint operation when the joint arrangement is structured through a separate vehicle whose legal form causes the separate vehicle to be considered in its own right. The Interpretations Committee noted that the assessment of other facts and circumstances is performed when there is no contractual arrangement to reverse or modify the rights and obligations conferred by the legal form of the separate vehicle through which the arrangement has been structured. The assessment of other facts and circumstances thus focuses on whether the other facts and circumstances establish, for the parties to the joint arrangement, rights to the assets and obligations for the liabilities relating to the joint arrangement.	**AASB staff agree** with the Committee’s tentative decision to not add the issue to its agenda.

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<tr><td></td><td></td><td>The Interpretations Committee, referring to paragraphs B31–B32 of IFRS 11, observed that parties to the joint arrangement have rights to assets of the joint arrangement through the assessment of other facts and circumstances when they:
(a) have rights to substantially all of the economic benefits (for example, ‘output’) of assets of the arrangement; and
(b) have obligations to acquire those economic benefits and thus assume the risks relating to those economic benefits (for example, the risks relating to the output).

The Interpretations Committee, referring to paragraphs B14 and B32–B33 of IFRS 11, also observed that parties to the joint arrangement have obligations for liabilities of the joint arrangement through the assessment of other facts and circumstances when:
(a) as a consequence of their rights to, and obligations for, the assets of the joint arrangement, they provide cash flows that are used to settle liabilities of the joint arrangement; and
(b) settlement of the liabilities of the joint arrangement occurs in this manner on a continuous basis.

On the basis of these observations, the Interpretations Committee noted that when the parties to a joint arrangement meet the criteria and therefore have both rights to assets of the joint arrangement and obligations for liabilities of the joint arrangement through the assessment of other facts and circumstances, a joint arrangement structured through a separate vehicle is a joint operation.

Consequently, the Interpretations Committee observed that, in order to classify the joint arrangement as a joint operation as a result of assessing other facts and circumstances, it is necessary to demonstrate that:
(a) the parties to the joint arrangement have rights and obligations relating to economic benefits of the assets of the arrangement; and
(b) they provide cash to the arrangement through legal or contractual obligations, which is used to settle the liabilities of the joint arrangement on a continuous basis.

Implication of ‘economic substance’

Some members of the Interpretations Committee observed that the concept of ‘economic substance’ may not be consistently understood or applied in practice with regard to the assessment of other facts and circumstances.</td><td></td></tr>
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	Topic	Brief description	AASB staff comments
		The Interpretations Committee confirmed that the assessment of other facts and circumstances should focus on whether the parties to the joint arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Consequently, the Interpretations Committee, by referring to paragraph BC43 of IFRS 11, noted that the consideration of other facts and circumstances is not a test of whether the parties to the joint arrangement are closely or fully involved with the operation of the separate vehicle, but is instead a test of whether other facts and circumstances override the rights and obligations conferred upon the parties by the legal form of the separate vehicle. On the basis of this analysis, the Interpretations Committee determined that the assessment of other facts and circumstances should be undertaken with a view towards whether those facts and circumstances create enforceable rights to assets and obligations for liabilities. That assessment is made in the light of the existing IFRS requirements. Accordingly, the Interpretations Committee concluded that sufficient guidance exists and that neither an Interpretation nor an amendment to a Standard was necessary. Consequently, the Interpretations Committee [decided] not to add this issue to its agenda.	
B4	IFRS 11 *Joint Arrangements*—Classification of joint arrangements: application of 'other facts and circumstances' to specific fact patterns	The Interpretations Committee discussed how other facts and circumstances should be applied to some specific fact patterns. It identified four different cases and considered how particular features of those fact patterns would affect the classification of the joint arrangement when assessing other facts and circumstances. The observations from the discussions are as follows. *Output sold at a market price* The Interpretations Committee discussed whether the fact that the output from the joint arrangement is sold to the parties of the joint arrangement at a market price prevents the joint arrangement from being classified as a joint operation, when assessing other facts and circumstances. The Interpretations Committee observed that the sale of output from the joint arrangement to the parties at market price, on its own, is not a determinative factor for the classification of the joint arrangement. It noted that the parties would need to consider, among other things, whether the cash flows provided to the joint arrangement through the parties' purchase of the output from the joint arrangement at market price would be sufficient to enable the joint arrangement to settle its liabilities on a continuous basis. Accordingly, the Interpretations Committee noted that exercising judgement is needed in this situation to determine whether the arrangement is a joint operation based on other facts and circumstances.	**AASB staff agree** with the Committee's tentative decision to not add the issue to its agenda.

	Topic	Brief description	AASB staff comments
		Financing from a third party The Interpretations Committee discussed whether financing from a third party prevents a joint arrangement from being classified as a joint operation. The Interpretations Committee noted that if the cash flows from the sale of output to the parties to the joint arrangement fund the repayment of the external financing, third-party financing alone would not affect the classification of the joint arrangement. *Nature of output (ie fungible or bespoke output)* The Interpretations Committee discussed whether the nature of the output (ie fungible or bespoke output) produced by the joint arrangement determines the classification of a joint arrangement when assessing other facts and circumstances. The Interpretations Committee noted that whether the output that is produced by the joint arrangement and purchased by the parties is fungible or bespoke is not a determinative factor for the classification of the joint arrangement. It also noted that the focus of 'obligation for the liabilities' in IFRS 11 is on the existence of cash flows flowing between the parties and the joint operation as a consequence of the parties' rights to, and obligations for, the assets of the joint arrangement, regardless of the nature of the product (ie fungible or bespoke output). *Determining the basis for 'substantially all of the output'* The Interpretations Committee discussed whether volumes of output or monetary values of output should be the basis for determining whether the parties to the joint arrangement are taking 'substantially all of the output' from the joint arrangement when assessing other facts and circumstances. The Interpretations Committee, referring to paragraphs B31–B32 of IFRS 11, noted that in order to meet the criteria for classifying the joint arrangement as a joint operation through the assessment of other facts and circumstances: (a) the parties to the joint arrangement should have rights to substantially all the economic benefits of the assets of the joint arrangement; and (b) the joint arrangement should be able to settle its liabilities from the 'cash flows' received as a consequence of the parties' rights to and obligations for the assets of the joint arrangement. The Interpretations Committee therefore noted that the economic benefits of the assets of the joint arrangement would relate to the cash flows arising from the parties' rights and obligations for the assets. Consequently, it noted that the assessment is based on the	

	Topic	Brief description	AASB staff comments
		monetary value of the output, instead of physical quantities. On the basis of this analysis, the Interpretations Committee determined that, in the light of the existing IFRS requirements, sufficient guidance exists and that neither an Interpretation nor an amendment to a Standard was necessary. Consequently, the Interpretations Committee [decided] not to add these issues to its agenda.	
B5	IFRS 11 *Joint Arrangements*—Classification of joint arrangements: consideration of two joint arrangements with similar features that are classified differently	The Interpretations Committee discussed a circumstance in which two joint arrangements would be classified differently when they have similar features apart from the fact that one is structured through a separate vehicle and the other is not (in circumstances in which the legal form confers separation between the parties and the separate vehicle). Two such joint arrangements could be classified differently because: (a) the legal form of a joint arrangement structured through a separate vehicle must be overridden by other contractual arrangements or specific other facts and circumstances for the joint arrangement to be classified as a joint operation; but (b) a joint arrangement that is not structured through a separate vehicle is classified as a joint operation. The Interpretations Committee noted that IFRS 11 could lead to two joint arrangements being classified differently if one is structured through a separate vehicle and the other is not, but in other respects they have apparently similar features. This is because the legal form of the separate vehicle affects the rights and obligations of the parties to the joint arrangement when assessing the type of joint arrangement, as noted, for example, in paragraphs B22 and BC43 of IFRS 11. The Interpretations Committee thought that such different accounting would not conflict with the concept of economic substance. This is because, according to the approach adopted in IFRS 11, the concept of economic substance means that the classification of the joint arrangement should reflect the rights and obligations of the parties to the joint arrangement and the presence of a separate vehicle plays a significant role in determining the nature of those rights and obligations. The Interpretations Committee noted that the requirements of IFRS 11 provide the principles necessary for determining the classification of joint arrangements, including assessing the impact of a separate vehicle. The assessment of the classification would depend on specific contractual terms and conditions and requires a full analysis of features involving the joint arrangement. On the basis of this analysis, the Interpretations Committee determined that, in the light of the existing IFRS requirements, sufficient guidance exists and that neither an Interpretation	**AASB staff agree** with the Committee's tentative decision to not add the issue to its agenda.

	Topic	Brief description	AASB staff comments
		nor an amendment to a Standard was necessary. Consequently, the Interpretations Committee [decided] not to add this issue to its agenda.	
B6	IFRS 11 *Joint Arrangements*—Accounting by the joint operator: recognition of revenue by a joint operator	The Interpretations Committee discussed whether a joint operator should recognise revenue in relation to the output purchased from the joint operation by the parties. This issue relates to the application of paragraph 20(d) of IFRS 11, which requires a joint operator to recognise its share of the revenue from the sale of the output by the joint operation. Examining paragraph 20(d) of IFRS 11, the Interpretations Committee noted that if the joint arrangement is structured through a separate vehicle and the assessment of other facts and circumstances results in the joint arrangement being classified as a joint operation, because the parties take all the output of the joint arrangement, the application of paragraph 20(d) of IFRS 11 would not result in the recognition of revenue by the parties. This is because if the joint operators purchase all the output from the joint operation, they would recognise 'their revenue' only when they sell the output to third parties. In other words, the joint operators would not recognise any amount in relation to the 'share of the revenue from the sale of the output by the joint operation'. This is because a joint operator that has an obligation to purchase the output from the joint operation has rights to the assets of the joint operation; accordingly, the sale of the output by the joint operation to the joint operator would mean selling output to itself; and, therefore, the joint operator would not recognise a share of the revenue from the sale of that output by the joint operation. Accordingly, paragraph 20(d) of IFRS 11 would result in the recognition of revenue by a joint operator only when the joint operation sells its output to third parties. For this purpose, third parties do not include other parties to the joint operation. On the basis of this analysis, the Interpretations Committee determined that, in the light of the existing IFRS requirements, sufficient guidance exists and that neither an Interpretation nor an amendment to a Standard was necessary. Consequently, the Interpretations Committee [decided] not to add this issue to its agenda.	**AASB staff agree** with the Committee's tentative decision to not add the issue to its agenda.
B7	IFRS 11 *Joint Arrangements*—Accounting by the joint operator: the accounting treatment when the joint operator's share of output purchased differs from its share of	The Interpretations Committee discussed the accounting when the joint operator's share of the output purchased differs from its share of ownership interest in the joint operation. For the purposes of this discussion, the Interpretations Committee considered a fact pattern in which the joint arrangement is structured through a separate vehicle and for which the parties to the joint arrangement have committed themselves to purchase substantially all of the output produced at a price designed to achieve a break-even result. In this fact pattern, the parties to the joint arrangement would be considered to have rights to the assets and obligations for the liabilities. Such a joint arrangement is presented in Example 5 of the	**AASB staff agree** with the Committee's tentative decision to not add the issue to its agenda.

	Topic	Brief description	AASB staff comments
	ownership interest in the joint operation	application guidance to IFRS 11 and is classified as a joint operation. A variation of such a fact pattern could (and does) arise in which the parties' percentage ownership interest in the separate vehicle differs from the percentage share of the output produced that each party is obliged to purchase. The Interpretations Committee, referring to paragraph 20 of IFRS 11, noted that the joint operators of such a joint operation would account for their assets, liabilities, revenues and expenses in accordance with the shares specified in the contractual arrangement. However, when an assessment of other facts and circumstances has concluded that the joint arrangement is a joint operation, and the joint arrangement agreement does not specify the allocation of assets, liabilities, revenues or expenses, the question arises about what share of assets, liabilities, revenue and expenses each joint operator should recognise. Specifically, should the share of assets, liabilities, revenue and expenses recognised reflect the percentage of ownership of the legal entity, or should it reflect the percentage of output purchased by each joint operator? The Interpretations Committee noted that there could be many different scenarios in which the joint operator's share of the output purchased differs from its share of ownership interest in the joint operation: for example, when the share of output purchased by each party varies over the life of the joint arrangement. A key issue that arises in this situation is over what time horizon should the share of output be considered. The Interpretations Committee also noted that if the joint operators made a substantial investment in the joint operation that differed from their ownership interest, there might be other elements of the arrangements that could explain why there is a difference between the percentage of ownership interest and the percentage share of the output produced that each party is obliged to purchase. It noted that the identification of the other elements may provide relevant information to determine how to account for the difference between the two. Consequently, the Interpretations Committee noted that it is important to understand why the share of the output purchased differs from the ownership interests in the joint operation. Judgement will therefore be needed to determine the appropriate accounting. On the basis of this analysis, the Interpretations Committee determined that, in the light of the existing IFRS requirements, sufficient guidance exists and that neither an Interpretation nor an amendment to a Standard was necessary. Consequently, the Interpretations Committee [decided] not to add this issue to its agenda.	

	Topic	Brief description	AASB staff comments
B8	IFRS 11 *Joint Arrangements*—Accounting in separate financial statements: accounting by the joint operator in its separate financial statements	The Interpretations Committee discussed the issue of the accounting by a joint operator in its separate financial statements for its share of assets and liabilities of a joint operation when that joint operation is structured through a separate vehicle. The Interpretations Committee noted that IFRS 11 requires the joint operator to account for its rights and obligations in relation to the joint operation. It also noted that those rights and obligations are the same whether separate or consolidated financial statements are prepared, by referring to paragraph 26 of IFRS 11. Consequently, the same accounting is required in the consolidated financial statements and in the separate financial statements of the joint operator. The Interpretations Committee also noted that IFRS 11 requires the joint operator to account for its rights and obligations, which are its share of the assets held by the entity and its share of the liabilities incurred by it. Accordingly, the Interpretations Committee observed that the joint operator would not additionally account in its separate or consolidated financial statements for its shareholding in the separate vehicle, whether at cost in accordance with IAS 27 *Separate Financial Statements* or at fair value in accordance with IFRS 9. On the basis of this analysis, the Interpretations Committee determined that, in the light of the existing IFRS requirements, sufficient guidance exists and that neither an Interpretation nor an amendment to a Standard was necessary. Consequently, the Interpretations Committee [decided] not to add this issue to its agenda.	**AASB staff agree** with the Committee's tentative decision to not add the issue to its agenda.
B9	IFRS 11 *Joint Arrangements*—Accounting by the joint operation: accounting by the joint operation that is a separate vehicle in its financial statements	The Interpretations Committee discussed the issue of the accounting by a joint operation that is a separate vehicle in its financial statements. The recognition by joint operators in both consolidated and separate financial statements of their share of assets and liabilities held by the joint operation leads to the question of whether those same assets and liabilities should also be recognised in the financial statements of the joint operation itself. The Interpretations Committee noted that IFRS 11 applies only to the accounting by the joint operators and not to the accounting by the separate vehicle that is a joint operation. The financial statements of the separate vehicle would therefore be prepared in accordance with applicable Standards. Company law often requires a legal entity/separate vehicle to prepare financial statements. Consequently, the reporting entity for the financial statements would include the assets, liabilities, revenues and expenses of that legal entity/separate vehicle. However, when identifying the assets and liabilities of the separate vehicle, it is necessary to understand the joint operators' rights and obligations relating to those assets and liabilities and how those rights and obligations affect those assets and liabilities. The Interpretations Committee noted that it will be important to reflect the effects of the joint operators' rights and obligations in the accounting for the joint operation's assets and liabilities.	**AASB staff agree** with the Committee's tentative decision to not add the issue to its agenda.

	Topic	Brief description	AASB staff comments
		On the basis of this analysis, the Interpretations Committee determined that, in the light of the existing IFRS requirements, sufficient guidance exists and that neither an Interpretation nor an amendment to a Standard was necessary. Consequently, the Interpretations Committee [decided] not to add this issue to its agenda.	
B10	IAS 12 *Income Taxes*—Selection of applicable tax rate for measurement of deferred tax relating to investment in associate	The Interpretations Committee received a request to clarify the selection of the applicable tax rate for the measurement of deferred tax relating to an investment in an associate in a multi-tax rate jurisdiction. The submitter asked how the tax rate should be selected when local tax legislation prescribes different tax rates for different manners of recovery (for example, dividends, sale, liquidation). The submitter described a situation in which the carrying amount of an investment in an associate could be recovered by: (a) receiving dividends (or other distribution of profit); (b) sale to a third party; or (c) receiving residual assets upon liquidation of the associate. The submitter stated that an investor normally considers all of these variants of recovery. One part of the temporary difference will be received as dividends during the holding period, and another part will be recovered upon sale or liquidation. The Interpretations Committee noted that paragraph 51A of IAS 12 states that an entity measures deferred tax liabilities and deferred tax assets using the tax rate and the tax base that are consistent with the expected manner of recovery or settlement. Accordingly, the tax rate should reflect the expected manner of recovery or settlement. If one part of the temporary difference is expected to be received as dividends, and another part is expected to be recovered upon sale or liquidation (for example, an investor has a plan to sell the investment later and expects to receive dividends until the sale of the investment) different tax rates would be applied to the parts of the temporary difference to be consistent with the expected manner of recovery. The Interpretations Committee observed that it had received no evidence of diversity in the application of IAS 12 and that the Standard contains sufficient guidance to address the matters raised. Accordingly, the Interpretations Committee thought that neither an Interpretation of, nor an amendment to, IAS 12 was necessary. Consequently, the Interpretations Committee [decided] not to add this issue to its agenda.	**AASB staff agree** with the Committee's tentative decision to not add the issue to its agenda.

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<tr><th></th><th>Topic</th><th>Brief description</th><th>AASB staff comments</th></tr>
<tr><td>B11</td><td>IAS 19 Employee Benefits—Should longevity swaps held under a defined benefit plan be measured at fair value as part of plan assets or on another basis as a qualifying insurance policy?</td><td>The Interpretations Committee received a request to clarify the measurement of longevity swaps held under an entity’s defined benefit pension plan.

The submitter raised a question about whether an entity should:

(a) account for a longevity swap as a single instrument and measure its fair value as part of plan assets in accordance with paragraphs 8 and 113 of IAS 19 and IFRS 13 Fair Value Measurement with changes in fair value being recorded in other comprehensive income; or

(b) split a longevity swap into two components and use another basis of measurement for a qualifying insurance policy for one of the components, applying paragraph 115 of IAS 19.

The submitter also raised questions about presentation if the measurement in paragraph (b) were to be used.

The outreach did not provide evidence that the use of longevity swaps is widespread. The Interpretations Committee understands that when such transactions take place, the predominant practice is to account for a longevity swap as a single instrument, and measure it at fair value as part of plan assets, applying paragraphs 8 and 113 of IAS 19 and IFRS 13.

On the basis of this analysis, the Interpretations Committee concluded that it did not expect diversity in the application of IAS 19 to develop and it therefore [decided] not to add this issue to its agenda.</td><td>AASB staff agree with the Committee’s tentative decision to not add the issue to its agenda.</td></tr>
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Part C: Issues on the Committee's current agenda

	Topic	Brief description	AASB staff comments
C1	IFRS 5 *Non–current Assets Held for Sale and Discontinued Operations*—Issues relating to the requirements for scope and presentation in IFRS 5	At its September 2014 meeting, the Interpretations Committee had considered the next steps in addressing several issues relating to IFRS 5 and had decided to discuss new issues that it had recently received before deciding how to proceed. At this meeting, the Interpretations Committee discussed the following new issues: (a) Issue 1A: do certain cases of 'loss of control of a subsidiary' meet the criteria for classifying the subsidiary as held for sale in accordance with IFRS 5? (b) Issue 1B: is IFRS 5 applicable to a disposal group consisting mainly or entirely of financial instruments? (c) Issue 2: how to apply the notion of a 'major line of business' in presenting discontinued operations. With regard to Issue 1A, the Interpretations Committee noted that it would not be appropriate to consider individual cases separately. It therefore asked the staff to consider the broader question of whether the 'loss of control' is key to the inclusion of an event within the scope of IFRS 5 or whether there also needs to be a disposal in order for the event to be classified as held for sale. The Interpretations Committee did not discuss Issues 1B and 2. The Interpretations Committee will consider Issues 1A, 1B and 2 at a future meeting together with the issues that it had considered in the September 2014 meeting and will decide how proceed.	AASB staff have no comments at this stage and will continue to monitor the issue.
C2	IAS 2 *Inventories*—Should interest be accreted on prepayments in long-term supply contracts	The Interpretations Committee received a request to clarify the accounting for long-term supply contracts of raw materials when the purchaser of the raw materials agrees to make significant prepayments to the supplier. The question considered is whether the purchaser should accrete interest on long-term prepayments by recognising interest income, resulting in an increase in the costs of inventories and, ultimately, the cost of sales. In May 2014 the IASB issued IFRS 15 *Revenue from Contracts with Customers*, which includes guidance on reflecting the time value of money when accounting for sales to customers. At this meeting the Interpretations Committee discussed how the guidance in that Standard could inform its discussion on this issue. It also considered the guidance on accounting for the time value of money in other Standards such as IAS 2, IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*. The Interpretations Committee noted that IFRS 15 requires that the effect of a significant financing component should be reported separately as interest income or expense if a contract contains such a component. The Interpretations Committee also noted that a purchaser may	**AASB staff agree** with the Committee's decision to conduct further outreach on the issue and will be seeking to input into the Committee outreach process.

	Topic	Brief description	AASB staff comments
		prepay for goods and services for reasons other than as part of a financing arrangement, such as security of supply. In its discussions, the Interpretations Committee acknowledged the practical difficulties that would be encountered in separating these elements but thought that any difference between the amount payable in accordance with the arrangement and the cash selling price at the delivery date would be significant in making that determination. The Interpretations Committee asked the staff to conduct outreach to collect evidence about the nature of, and reasons for, the prepayments made by purchasers in long-term supply contracts, and to identify whether the arrangements included a financing component or whether the purchaser made the prepayment for other reasons. The staff will present an analysis of the evidence about the nature of prepayments in long-term supply contracts at a future meeting.	
C3	IAS 12 *Income Taxes*—How should current tax assets and liabilities be measured when the tax position is uncertain?	The Interpretations Committee received a request to clarify the accounting for income tax assets and liabilities arising from uncertain tax positions (hereafter 'UTPs'). It discussed the issue in January, May and July 2014 and noted that one of the principal issues in respect of UTPs is how to measure related assets and liabilities. At its September 2014 meeting the Interpretations Committee discussed several aspects of measurement of income tax assets and liabilities relating to UTPs. It tentatively decided to proceed with developing guidance for the measurement of UTPs, subject to further analysis and deliberations. At this meeting, the Interpretations Committee discussed: (a) the scope of the project; (b) the unit of account for measurement of UTPs; and (c) a possible approach for the measurement method(s). *Scope* The Interpretations Committee tentatively agreed that all income tax positions should be included within the scope of this project. It thought that attempting to limit the scope to specific situations, for example, when an entity has unresolved disputes with a tax authority, would lead to an arbitrary rule. The Interpretations Committee also noted that paragraph 14 and the objective of IAS 12 refer to the 'probable' recognition threshold, although IAS 12 does not explicitly set the threshold of recognition for a current tax asset or liability. It also noted that the current Conceptual Framework for Financial Reporting also refers to a probable recognition threshold. As noted in the final decision on the issue of recognition of current income tax on UTPs in July 2014,	**AASB staff agree** with the Committee proceeding to a draft Interpretation on the issue. **AASB staff** also **agree** with the scope of the project and the approach to measurement. However, **AASB staff have concerns** in relation to the tentative decisions made at the meeting by the Committee in relation the unit of account. AASB staff consider that the Committee's decision in relation to unit of account is unclear in relation to how an entity would determine its unit of account. Specifically whether the unit of account by reference to 'other uncertain tax positions' is by reference to *the entity's* other uncertain tax positions, the uncertain tax positions of other entities within the entity's *industry*, or other entities within the *jurisdiction*? **AASB staff do not** recommend writing to the Committee at this stage on this issue as AASB staff do not consider these concerns to be

	Topic	Brief description	AASB staff comments
		IAS 12, not IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, provides the relevant guidance on recognition. The Interpretations Committee observed that setting a scope to specific situations is not necessary if it develops guidance that would require an entity to recognise a current tax asset or liability only if it is probable that it will pay the amount to, or recover the amount from, a tax authority Consequently, the Interpretations Committee tentatively agreed that the guidance should require an entity to recognise a current tax asset or liability only if it is probable that it will pay the amount to, or recover the amount from, a tax authority. *Unit of account* The Interpretations Committee observed that an entity should make a judgement about the unit of account that provides relevant information for each UTP. For example, if a decision on a specific UTP is expected to affect, or be affected by, other UTPs, it noted that those UTPs should be accounted for as a single unit of account. *Approach for measurement* The Interpretations Committee observed that an entity should estimate the amount expected to be paid to (or recovered from) the taxation authorities by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the amount that it will pay to (or recover from) the taxation authorities. This is because this approach would provide useful information to predict future cash flows for each case. It also noted that this approach is similar to the measurement of an amount of variable consideration in IFRS 15. The Interpretations Committee decided not to propose a more-likely-than-not measurement basis, noting that IFRS does not refer to a more-likely-than-not amount and that IFRS 15 and IAS 37 refer to the expected value and the most likely amount. At its September 2014 meeting the Interpretations Committee tentatively decided that the proposed guidance should clarify that an entity should assume that the tax authorities would examine the amounts reported to them and have full knowledge of all relevant information. *Form of guidance* The Interpretations Committee tentatively decided to develop a draft Interpretation, reflecting the tentative decisions it had made at this meeting. The staff will present the draft Interpretation at a future meeting. The Interpretations Committee also asked the staff to contact the staff of the US accounting standard setter, the Financial Accounting Standards Board (FASB), to discuss its experience with developing guidance on this subject.	substantive enough to bring to the Committee's attention at this stage.

	Topic	Brief description	AASB staff comments
C4	IAS 16 *Property, Plant and Equipment*—Accounting for net proceeds and costs of testing for property, plant and equipment	The Interpretations Committee received a request to clarify the accounting for the net proceeds from selling any items produced while bringing an item of property, plant and equipment (PPE) to the location and condition necessary for it to be capable of operating in the manner intended by management. The submitter has asked whether the amount by which the net proceeds received exceed the costs of testing should be recognised in profit or loss or as a deduction from the cost of the PPE. The Interpretations Committee discussed the issue at the July 2014 meeting and issued a tentative agenda decision. At this meeting the Interpretations Committee discussed the comment letters received on the tentative agenda decision. The Interpretations Committee noted that the respondents were concerned about the implications of the agenda decision for the extractive and other industries. Those respondents noted that it is common in those industries to credit net proceeds in excess of the costs of testing against the cost of the asset under construction. Accordingly, a number of practical issues were raised in the comment letters. The Interpretations Committee decided to add this item to its agenda to analyse this issue further. The Interpretations Committee considers that the scope should not be limited to only some industries. The following issues will be considered: (a) when the asset is available for use; (b) what costs qualify as costs of testing, while bringing the asset to that location and condition; (c) how to treat the proceeds in excess of the costs of testing; (d) how to account for other proceeds received on other activities (that are not testing) that are necessary to bring the asset to that location and condition; (e) disclosure of proceeds deducted from assets; and (f) applicability of IFRS 15 to the proceeds received. The staff will present the additional analysis requested by the Interpretations Committee at a future meeting.	The AASB wrote to the Committee on this issue in September 2014[2] noting that the issue should be added to the Committee's agenda. AASB staff continue to consider the accounting for net proceeds over the costs of testing an item or PPE requires further consideration and, therefore, **agree** with the Committee's decision to add the issue to its agenda.

[2] http://www.aasb.gov.au/admin/file/content102/c3/AASB_Comment_Letter_on_IFRIC_TADs_PPE_09-14.pdf (accessed on 26 November 2014)

	Topic	Brief description	AASB staff comments
C5	IAS 21 *The Effects of Changes in Foreign Exchange Rates*—Revenue transaction denominated in a foreign currency: What is the date of the transaction for the purpose of identifying the applicable exchange rate for revenue recognition?	The Interpretations Committee considered a submission that asked how to determine which exchange rate to use when reporting revenue transactions denominated in a foreign currency in accordance with IAS 21. In particular, the submission described a circumstance in which the customer paid for the goods or services by making a non-refundable payment in advance. The Interpretations Committee noted that outreach indicates that: (a) the issue affects a number of jurisdictions, particularly in the construction industry; (b) there is diversity in practice between recognising revenue using the exchange rate at the date of the receipt of the non-refundable advance payment and the exchange rate at the date of the transfer of goods or services; and (c) the diversity is expected to continue after the implementation of IFRS 15. The Interpretations Committee noted that paragraphs 21–22 of IAS 21 require that a foreign currency transaction should be recorded, on initial recognition in the functional currency, by applying the spot exchange rate at the date on which the transaction first qualifies for recognition in accordance with IFRS. The Interpretations Committee tentatively concluded that IAS 21 is not entirely clear on whether revenue should be recognised using the exchange rate at the date of the advance payment or at the date of recognition of the revenue. However, most members of the Interpretations Committee think that recognising revenue using the exchange rate at the date of the advance payment (or at the date that the advance payment is due, if earlier) may be a more appropriate interpretation of IAS 21, because: (a) an entity is no longer exposed to foreign exchange risk once it has received the cash; (b) the obligation to transfer goods or services (which gives rise to deferred revenue on recognition of an advance cash receipt) and the performance of that transfer (which gives rise to revenue) is a single transaction; and (c) it is consistent with the treatment of deferred revenue as a non-monetary item that is not retranslated after initial recognition in accordance with paragraph 23 of IAS 21. The Interpretations Committee tentatively decided to develop guidance on identifying the date of the transaction for revenue transactions denominated in a foreign currency, as an interpretation of paragraph 22 of IAS 21. The Interpretations Committee noted that the issue interacts with IFRS 15 and that to the extent that issues arise in respect of IFRS 15, the Transition Resource Group for Revenue (TRG) should be informed of those issues. The staff will present further analysis at a future meeting of the Interpretations Committee.	**AASB staff agree** with the Committee's decision that revenue would be recognised using the exchange rate used to recognise the related deferred revenue on receipt of the cash prepayment as it reflected the economics of the situation. Since IAS 21 is not clear on this issue, guidance should be developed as an interpretation of paragraph 22 of IAS 21.

	Topic	Brief description	AASB staff comments
C6	IAS *32 Financial Instruments: Presentation* and IAS *37 Provisions, Contingent Liabilities and Contingent Assets*—Classification of the liability for prepaid cards issued by a bank in the bank's financial statements	The Interpretations Committee received a request to clarify the classification of the liability for prepaid cards issued by a bank in the bank's financial statements and accounting for the unspent balance of the prepaid cards with the following features: (a) no expiry date; (b) cannot be refunded, redeemed or exchanged for cash; (c) redeemable for goods or services only at selected merchants and, depending upon the card programme, ranges from a single merchant to all merchants that accept a specific card network; and (d) no inactive balance charges, which means that the balance on the prepaid card does not reduce unless spent by the holder. The Interpretations Committee was asked to consider whether the liability for those prepaid cards is a non-financial liability, because the issuing bank does not have an obligation to deliver cash to the cardholder. The Interpretations Committee observed that the liability for prepaid cards with features as explained above would meet the definition of a financial liability because the issuing bank has a contractual obligation to deliver cash to the merchant that is conditional upon the cardholder using the prepaid card to purchase goods or services. In such a circumstance an issuing bank would apply the guidance in IFRS 9 *Financial Instruments* (IAS 39 *Financial Instruments: Recognition and Measurement*) to determine when to derecognise the liability for prepaid cards. However, the Interpretations Committee was concerned about other similar arrangements, such as customer loyalty programmes or prepaid cards issued by a non-banking entity that can be redeemed for goods or services of the issuing entity or of other entities, and requested the staff to analyse those other similar arrangements. The Interpretations Committee requested the staff to specifically consider the basis for distinction between the prepaid cards with features as explained above and other similar arrangements. The Interpretations Committee also asked the staff to follow the discussions of the Emerging Issues Task Force of the Financial Accounting Standards Board of the US on this issue. The staff will present an analysis of the other similar arrangements at a future meeting of the Interpretations Committee.	**AASB staff agree** with the direction of the project and the analysis in relation to the existence of a financial liability and that the liability is to the merchant and not the cardholder. AASB staff will continue to monitor the project

Part D: Issues recommended for Annual Improvements

	Topic	Brief description	AASB staff comments
D1	IAS 19 *Employee Benefits*—Remeasurement at a plan amendment, curtailment or settlement: additional issue related to significant market fluctuations	The Interpretations Committee received a request to clarify the accounting treatment in accordance with IAS 19 for issues related to the remeasurement of the net defined benefit liability (asset) (hereafter 'net DBL') in the event of a plan amendment or curtailment. The Interpretations Committee discussed this issue at its May and July 2014 meetings. At its May 2014 meeting, the Interpretations Committee tentatively agreed to develop an amendment to require an entity to: (a) take account of the remeasurement of the net DBL at the event date when determining net interest for the post-event period; and (b) use the updated actuarial assumptions for the calculation of current service cost and net interest for the post-event period. At its July 2014 meeting the Interpretations Committee concluded that the proposed amendment to IAS 19 meets the criteria for Annual Improvements. During the drafting of this proposed amendment, some of the Interpretations Committee members questioned whether IAS 19 requires an entity to remeasure the net DBL if a significant market fluctuation occurs during an annual period when preparing annual financial statements. At this meeting the Interpretations Committee discussed this issue related to a significant market fluctuation. The Interpretations Committee was concerned that addressing this issue might be too broad, for it to deal with and could lead to a significant change in the application of IAS 19 and a significant burden on entities. Consequently, the Interpretations Committee decided that the scope of its proposal discussed at the May and July 2014 meetings should include only the situations in which an entity remeasures the net DBL as required by paragraph 99 of IAS 19 (in other words, when a plan amendment, curtailment or settlement occurs). The Interpretations Committee reaffirmed that an entity should use the updated assumptions (including discount rates) for the calculation of current service cost and net interest for the post-event period, if an entity remeasures the net DBL, updating assumptions as required by paragraph 99 of IAS 19. The staff will present the proposed annual improvement to the IASB at a future meeting.	**AASB staff agree** with the Committee's decision to develop an amendment to IAS 19 *Employee Benefits* and will continue to monitor the proposed annual improvement.

	Topic	Brief description	AASB staff comments
D2	IAS 28 *Investments in Associates and Joint Ventures*—Measuring investees at fair value: an investment-by-investment choice or a consistent policy choice?	The Interpretations Committee received a request to clarify whether an entity has an investment-by-investment choice for measuring investees at fair value in accordance with IAS 28 by a venture capital organisation, or a mutual fund, unit trust or similar entities including investment linked insurance funds. The question is whether an entity may elect to measure investments in those associates and joint ventures at fair value on an investment-by-investment basis or whether this is an accounting policy that must be applied consistently in accordance with paragraph 13 of IAS 8 Accounting Policies, Changes in Estimates and Errors. The submitter noted that the IASB had revised IAS 28 in 2011. The submitter claimed that before the revision in 2011, entities were explicitly permitted to choose to measure investees using the equity method, or to measure investees at fair value, on an investment-by-investment basis. However, after the revision, it had become unclear whether an entity still has the same choice. The Interpretations Committee agreed that the wording in IAS 28 (2011) is not clear on this point. It noted that IAS 28 (2003) allowed an entity to measure investees at fair value on an investment-by-investment basis and that the IASB did not specifically discuss changing this accounting treatment when IAS 28 was revised in 2011. Accordingly, the Interpretations Committee decided to recommend to the IASB that it should clarify the wording of paragraph 18 of IAS 28 in an annual improvement, to make clear that an entity is permitted to measure investees at fair value on an investment-by-investment basis.	**AASB staff agree** with the Committee's decision to recommend to the IASB to make an amendment to IAS 28 *Investments in Associates and Joint Ventures* through an Annual Improvement to allow the fair value option on an investment-by-investments basis because the issue was an unintended consequence of the amendment of IAS 28.