



Memorandum

To:	AASB members	Date:	18 August 2015
From:	Kala Kandiah	Agenda Item:	24.1 (M147)
Subject:	ED 268 <i>Effective Date of Amendments to IFRS 10 and IAS 28</i>	Project Priority:	High
Project Status:	Initial deliberations	Decision-Making:	High

Action for this meeting

To make decisions in relation to:

- 1 the issues to raise in the submission to the IASB on Exposure Draft ED/2015/7 *Effective Date of Amendments to IFRS 10 and IAS 28*;
- 2 the process for finalising the submission to the IASB; and
- 3 the proposed mandatory effective date for relevant amendments in AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Link to IASB project summary

<http://www.ifrs.org/Current-Projects/IASB-Projects/Transactions-between-Entity-and-Associate-or-Joint-Venture/Pages/default.aspx>

Attachments

Agenda Paper 24.1.1 – Draft AASB submission to the IASB on ED/2015/7 *Effective Date of Amendments to IFRS 10 and IAS 28*.

Agenda Paper 24.1.2 – IASB Exposure Draft ED/2015/7 *Effective Date of Amendments to IFRS 10 and IAS 28*.

Draft submission

The AASB draft submission is provided in Agenda Paper 24.1.1. The draft submission outlines the staff recommendations as to issues staff consider should be raised to the IASB in relation to ED/2015/7.

Questions to Board members:

- Q1 Does the Board agree with AASB staff views in the draft submission (Agenda Paper 24.1.1)?
- Q2 Does the Board have any additional issues it wishes to raise in its submission to the IASB?

Next steps

ED 268 is open for comment until 9 September 2015, with comments due to the IASB on 9 October 2015. The next AASB Board meeting is scheduled for 21-22 October and therefore Staff recommend that the AASB's submission to the IASB on ED/2015/7 be finalised via the Chair out-of-session.

Question to Board members:

- Q3 Does the Board agree with the AASB staff recommendation to finalise the submission via the Chair out-of-session?

Mandatory effective date

IASB ED/2015/7 is proposing to amend paragraphs C1C in IFRS 10 *Consolidated Financial Statements* and paragraph 45C in IAS 28 *Investment in Associates and Joint Ventures* to defer indefinitely the effective date of *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*.

If the IASB's proposals in ED/2015/7 become a Standard, the AASB would not be able to defer indefinitely the effective date of the relevant amendments in AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*. This is because, under the *Corporations Act 2001*,¹ if an Accounting Standard does not include a mandatory effective date, the requirements of the Standard become immediately mandatory for periods ending after the legal commencement of the Standard. If a legal commencement date is not specified in the Standard, then in accordance with section 12(1)(d)² of the *Legislative Instruments Act 2003*, the Standard would become mandatory for periods ending after the day it is registered with the Federal Register of Legislative Instruments. Accordingly, to avoid immediate application of the Standard, the effective date of the amendments need to be deferred to a specified mandatory effective date.

¹ The Corporations Act section 334 (4) states the following:

An accounting standard applies to:

- (a) periods ending after the commencement of the standard; or
- (b) periods ending, or starting, on or after a later date specified in the standard.

² Section 12(1) of the Legislative Instruments Act "... a legislative instrument ... takes effect from:

- (a) the day specified in the instrument for the purposes of the commencement of the instrument or provision; or
- (b) the day and time specified in the instrument for the purposes of the commencement of the instrument or provision; or
- (c) the day, or day and time, of the commencement of an Act, or of a provision of an Act, or of the occurrence of an event, that is specified in the instrument for the purposes of the commencement of the instrument or provision; or
- (d) in any other case—the first moment of the day next following the day when it is registered.

AASB staff recommendation

If the IASB's proposals become a Standard, AASB staff propose that the amendments be applicable to annual reporting periods beginning on or after 1 January 2018, with early application permitted.

Rationale for AASB staff recommendation

The current effective date for the relevant amendments in AASB 2014-10 is 1 January 2016. The amendments have been incorporated into the new principal Standards AASB 10 *Consolidated Financial Statements* (August 2015), which is effective from 1 July 2016 and AASB 128 *Investment in Associates and Joint Ventures* (August 2015), which is effective from 1 January 2018.

AASB staff note that the IASB has proposed to defer indefinitely the effective date of the relevant amendments because the IASB intends that these amendments have the same effective date as other amendments that may arise as a result of its research project on *Equity Method of Accounting*. AASB staff also note that the IASB does not know what the effective date of any such amendments would be. As such, AASB staff recommend that the effective date of the relevant amendments be specified to be the same as the effective date of the new principal Standard AASB 128 (i.e. 1 January 2018), to minimise the administrative work involved in amending the principal Standard.

Further, the IASB's work plan currently indicates that a discussion paper on the research project is likely to be issued in 2016. Accordingly, AASB staff consider that it is unlikely that any amendments arising from the project would be effective before 1 January 2018.

Therefore, based on the above, if the IASB's proposals in ED/2015/7 become a Standard, AASB staff recommend that the effective date of the relevant amendments in AASB 2014-10 be 1 January 2018. AASB staff also propose that constituents are advised that the date is required for legislative purposes, and may be subject to revision depending on the outcome of the IASB's project. This approach was adopted by the Board in 2013 when the IASB deferred IFRS 9 *Financial Instruments* indefinitely, and the AASB deferred AASB 9 *Financial Instruments* to 1 January 2017.³

Question to Board members:

Q4 Does the Board agree with AASB staff recommendation a revised effective date for the relevant amendments if the IASB proposals in ED/2015/7 become a Standard?

³ Note that, if the effective date of the relevant amendments were to be specified to be at date other than 1 January 2018, for example 1 January 2019, then the principal Standard AASB 128 that is effective on 1 January 2018 would need to be amended to remove the relevant amendments in AASB 2014-10.