

International Financial Reporting Standard

Investment Entities: Applying the Consolidation Exception

December 2014

BASES FOR CONCLUSIONS – AMENDMENTS

[IFRS 10 & 12 and IAS 28]

[Related to AASB 2015-5]

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

Paragraphs BC28A–BC28F and their related heading are added. New text is underlined.

Exemption from preparing consolidated financial statements for an intermediate parent of an investment entity

- BC28A** In December 2014, the Board amended IFRS 10 to confirm that the exemption from preparing consolidated financial statements set out in paragraph 4(a) of IFRS 10 is available to a parent entity that is a subsidiary of an investment entity. This question came about because an investment entity may measure all of its subsidiaries at fair value through profit or loss in accordance with paragraph 31 of IFRS 10. This decision was consistent with the proposal in the Exposure Draft *Investment Entities: Applying the Consolidation Exception* (Proposed amendments to IFRS 10 and IAS 28), which was published in June 2014.
- BC28B** Paragraph 4(a)(iv) of IFRS 10, which is one of the criteria for the exemption from preparing consolidated financial statements, previously specified the requirement that the entity's ultimate or any intermediate parent 'produces consolidated financial statements that are available for public use and comply with IFRSs.' The IFRS Interpretations Committee was asked whether the exemption set out in paragraph 4(a) was available to a parent entity that is a subsidiary of an ultimate, or any intermediate, investment entity parent, if the conditions set out in paragraph 4(a)(i)–(iii) are met, but the investment entity parent does not consolidate any of its subsidiaries. Instead, the investment entity parent prepares financial statements in which all of its subsidiaries are measured at fair value through profit or loss in accordance with paragraph 31 of IFRS 10.
- BC28C** The Board observed that the exemption for intermediate parent entities was provided because the cost of requiring each intermediate parent entity within a group to prepare consolidated financial statements would outweigh the benefits in cases in which the conditions in paragraph 4(a) of IFRS 10 are met. The Board had previously decided that the conditions in paragraph 4(a) provide safeguards for the users of the intermediate parent's financial statements. In addition, the Board noted that the combination of information available in the consolidated financial statements of the higher level parent and the separate financial statements of the intermediate parent entity provide useful information to users.
- BC28D** The Board additionally observed that, when an investment entity measures its interest in a subsidiary at fair value, the disclosures required by IFRS 12 are supplemented by those required in IFRS 7 *Financial Instruments: Disclosures* and IFRS 13 *Fair Value Measurement*. Accordingly, the Board decided that this combination of information is sufficient to support the decision to retain the existing exemption from presenting consolidated financial statements for a subsidiary of an investment entity that is itself a parent entity. The Board noted that requiring an intermediate parent that is a subsidiary of an investment

entity to prepare consolidated financial statements could result in significant additional costs, without commensurate benefit. The Board noted that this would be contrary to its intention in requiring investment entities to measure investments at fair value, which was to provide more relevant information at a reduced cost, as described in paragraphs BC309 and BC314 of IFRS 10.

BC28E The Board also decided to amend paragraph 17 of IAS 28 *Investments in Associates and Joint Ventures* for the same reasons. Paragraph 17 of IAS 28 uses the same criteria as paragraph 4(a) of IFRS 10 to provide an exemption from applying the equity method for entities that are subsidiaries and that hold interests in associates and joint ventures.

BC28F Furthermore, the Board decided to amend paragraph 6(b) of IFRS 12 to clarify that the relevant disclosure requirements in IFRS 12 apply to an investment entity. Paragraph 6 of IFRS 12 previously stated that IFRS 12 did not apply to an entity's separate financial statements without stating the applicability of IFRS 12 to investment entities. The Board decided to clarify that this scope exclusion does not apply to the financial statements of a parent that is an investment entity and has measured all of its subsidiaries at fair value through profit or loss in accordance with paragraph 31 of IFRS 10. In such cases, the investment entity shall present the disclosures relating to investment entities required by IFRS 12.

Paragraphs BC191, BC219 and BC225 are amended. Deleted text is struck through. Paragraph BC226 is not amended, but has been included for ease of reference.

Effective date

BC191 The Board decided to align the effective date for the IFRS with the effective date for IFRS 11, IFRS 12, IAS 27 *Separate Financial Statements* and IAS 28 ~~*Investments in Associates and Joint Ventures*~~. When making this decision, the Board noted that the five IFRSs all deal with the assessment of, and related accounting and disclosure requirements about, a reporting entity's special relationships with other entities (ie when the reporting entity has control or joint control of, or significant influence over, another entity). As a result, the Board concluded that applying IFRS 10 without also applying the other four IFRSs could cause unwarranted confusion.

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Background

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BC219 Respondents to ED 10 also argued that when an investment entity consolidates entities that it controls, it is not required to provide the disclosures related to fair value measurements that would be required if the subsidiaries were measured at fair value. For example, IFRS 7 ~~*Financial Instruments: Disclosures*~~ relates only to recognised financial assets and liabilities. There is no requirement to provide disclosures related to fair value for investments in consolidated subsidiaries. Information about fair value and the methodology and inputs used for determining fair value is vital for users to make investment decisions about investment entities. Investors in an investment entity are interested in the fair value of their interest in that entity and often transact with

it on a fair value basis (ie their investment in the investment entity is based on a share of the net assets of that entity). Reporting the fair value of substantially all of the net assets of an investment entity allows the investors in that entity to more easily identify the value of their share of those net assets.

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Scope of the project

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BC225 Other respondents asked the Board to provide guidance permitting an investor in an investment entity to use the reported net asset value (NAV) per share of that investment entity as a practical expedient for measuring the fair value of its investment in that investment entity. Similar guidance exists in US GAAP. The Board considered providing such a practical expedient in their deliberations on IFRS 13 ~~Fair Value Measurement~~ but decided against it because, at the time, there was no specific accounting guidance for investment entities in IFRS and because there are different practices for calculating NAVs in jurisdictions around the world. The Board decided that it is outside the scope of the Investment Entities project to provide fair value measurement guidance for investments in investment entities. The Board developed the definition of an investment entity to identify which entities should qualify for an exception to consolidation. The definition was not designed to decide which entities should qualify for a fair value measurement practical expedient. Moreover, the Board still has concerns that NAV could be calculated differently in different jurisdictions. Consequently, the Board decided not to provide an NAV practical expedient for fair value measurement as part of the Investment Entities project.

BC226 The Board has decided to adopt an entity-based approach to the exception to consolidation. That is, the exception to consolidation is based on the type of entity that owns the subsidiary. The Board considered providing an asset-based approach to the exception to consolidation. Under an asset-based approach, an entity would consider its relationship with, and the characteristics of, each of its subsidiaries (that is, each individual asset) to decide whether fair value measurement is more appropriate than consolidation. However, the Board decided to retain the entity-based exception to consolidation that was proposed in the *Investment Entities* ED. The Board was concerned that an asset-based approach would significantly broaden the exception to consolidation by making the exception available to any entity holding relevant assets. This would represent a significant conceptual change to the consolidation model that the Board has developed in this IFRS. In addition, the Board believes that investment entities have a unique business model that makes reporting subsidiaries at fair value more appropriate than consolidation. An entity-based approach captures the unique business model of investment entities.

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In paragraph BC220 ‘... has not yet been adopted)’ is footnoted as follows. Paragraph BC231 is also footnoted as follows. New text is underlined.

In December 2014, the Board issued *Investment Entities: Applying the Consolidation Exception* (Amendments to IFRS 10, IFRS 12 and IAS 28). These amendments clarified which subsidiaries of an investment entity are consolidated in accordance with paragraph 32 of IFRS 10, instead of being measured at fair value through profit or loss (see paragraphs BC240A–BC240I).

Paragraphs BC240A–BC240I and BC287A are added. New text is underlined. Paragraphs BC237–BC240, BC241–BC243 and BC272 are not amended, but have been included for ease of reference.

Investment management services

- BC237 The Board noted that one of the essential activities of an investment entity is that it obtains funds from investors in order to provide those investors with investment management services. The Board believes that this provision of investment management services differentiates investment entities from other entities. Consequently, the Board decided that the definition of an investment entity should state that an investment entity obtains funds from an investor or investors and provides the investor(s) with investment management services.

Business purpose

- BC238 The Board believes that an entity’s activities and business purpose are critical to determining whether it is an investment entity. An investment entity collects funds from investors and invests those funds to obtain returns solely from capital appreciation, investment income, or both. Consequently, the Board decided that the definition of an investment entity should state that an investment entity commits to its investor(s) that its business purpose is to provide investment management services and invest funds solely for returns from capital appreciation, investment income, or both.
- BC239 The *Investment Entities* ED did not allow an entity to qualify as an investment entity if it provided substantive investment-related services to third parties. While some respondents agreed with this, others argued that an investment entity should be allowed to provide such services to third parties. They argued that the provision of these investment-related services to third parties is simply an extension of the investment entity’s investing activities and should not prohibit an entity from qualifying as an investment entity. The Board agreed with these arguments, concluding that the provision of such services is within the business model of an investment entity. Although such an entity may earn fee income from the provision of investment-related services, its sole business purpose is still investing for capital appreciation, investment income, or both (whether that is for itself, for its investors or for external parties).
- BC240 The Board noted that an investment entity may sometimes hold an interest in a subsidiary that provides investment-related services for its investment activities. The Board did not think that the existence of such a subsidiary should prohibit

an entity from qualifying as an investment entity, even if those services were substantial or were provided to third parties in addition to the entity. The Board views such services as an extension of the operations of the investment entity and therefore concluded that subsidiaries that provide those services should be consolidated.

- BC240A In December 2014, the Board issued *Investment Entities: Applying the Consolidation Exception* (Amendments to IFRS 10, IFRS 12 and IAS 28). This amended paragraphs 32, BC85C and B85E of IFRS 10 to clarify which subsidiaries of an investment entity should be consolidated instead of being measured at fair value. The amendments were made in response to a request for the Board to clarify how to apply paragraph 32 when the subsidiary of an investment entity itself meets the definition of an investment entity and provides services that relate to the parent's investment activities.
- BC240B The Board decided to clarify that an investment entity shall measure at fair value through profit or loss all of its subsidiaries that are themselves investment entities. This is consistent with its decision not to distinguish between investment entity subsidiaries established for different purposes (see paragraph BC272). This was supported by the majority of respondents to both the *Investment Entities* ED and the Exposure Draft *Investment Entities: Applying the Consolidation Exception* (Proposed amendments to IFRS 10 and IAS 28), published in June 2014 (the '*Consolidation Exception* ED').
- BC240C Some respondents to the *Consolidation Exception* ED suggested that requiring an investment entity to measure each investment entity subsidiary at fair value as a single item results in a loss of information about each subsidiary's underlying investments and the activities of that subsidiary. They suggested that an investment entity parent should be able to apply a 'dual-model' of consolidation, which would allow an investment entity parent to show its directly and indirectly held investments at fair value while consolidating other activities. This is similar to the asset-based approach previously rejected by the Board (see paragraph BC226).
- BC240D The Board acknowledged some of the potential benefits of an asset-based approach. In particular, this approach may better avoid some structuring issues, particularly in multi-layer groups in which different types of subsidiaries are held at different levels within the group. However, the Board decided that developing a broader principle-based approach, together with guidance to enable consistent application, would be too difficult to achieve within the limited scope of the consolidation exception clarification project. In addition, the Board decided that such an approach and related guidance could not be developed within the short time frame that was needed to provide the necessary clarification before the end of 2014. These decisions were, in part, based on the variety of suggestions provided by respondents to the *Consolidation Exception* ED about which activities should be consolidated and which should be measured at fair value.
- BC240E The Board noted that the requirement in paragraph 32 of IFRS 10 to consolidate particular subsidiaries of an investment entity was intended to be a limited exception, capturing only operating subsidiaries that support the investment

entity parent's investing activities as an extension of the operations of the investment entity parent. It was not intended to capture subsidiaries that are themselves investment entities. The definition of an investment entity requires that the investment entity's business purpose and, therefore, its core activity is providing investment management services to its investors and investing the funds obtained from its investors solely for returns from capital appreciation, investment income, or both. When the Board decided that providing investment-related services to third parties would not prevent an entity from qualifying as an investment entity, it recognised that investment entities could benefit from synergies between the core investing activities and the provision of investment-related services to third parties.

BC240F The Board noted that, therefore, when an entity assesses whether it qualifies as an investment entity, it considers whether providing services to third parties is ancillary to its core investing activities. However, the definition of an investment entity requires that the purpose of the entity is to invest solely for capital appreciation, investment income (such as dividends, interest and rental income) or both (see paragraph B85B of IFRS 10). Consequently, an entity whose main purpose is to provide investment-related services in exchange for consideration from third parties has a business purpose that is different from the business purpose of an investment entity. This is because the entity's main activity is earning fee income in exchange for its services. In contrast, for an entity that qualifies as an investment entity, such fee income, which could be substantial in amount, will be derived from its core investment activities, which are designed for earning capital appreciation, investment income or both.

BC240G The Board decided that requiring an investment entity to measure all of its subsidiaries that are themselves investment entities at fair value through profit or loss is consistent with the entity-based approach and decided to confirm its proposal in the *Consolidation Exception* ED. Consequently, when an investment entity parent assesses whether a subsidiary should be measured at fair value in accordance with paragraph 31 of IFRS 10 or, instead, should be consolidated in accordance with paragraph 32 of IFRS 10, the parent assesses whether the subsidiary meets the definition of an investment entity. If so, the investment entity parent measures its investment entity subsidiary at fair value through profit or loss in accordance with paragraph 31.

BC240H If the subsidiary is not an investment entity, the investment entity parent assesses whether the main activities undertaken by the subsidiary support the core investment activities of the parent. If so, the subsidiary's activities are considered to be an extension of the parent's core investing activities and the subsidiary would be consolidated in accordance with paragraph 32 of IFRS 10. The Board noted that a subsidiary of an investment entity that provides support services to its parent and other members of the group, such as administration, treasury, payroll and accounting services, is considered to be providing those services as an extension of the operations of the parent. Such a non-investment entity subsidiary would be consolidated in accordance with paragraph 32 of IFRS 10.

BC240I The Board concluded that these outcomes are consistent with its basic decision that measuring all investments of investment entities at fair value through

profit or loss provides the most relevant information, except for operating subsidiaries that act as an extension of the investment entity parent.

- BC241 The Board considered prohibiting investment entities from engaging in some activities, such as providing financial support to its investees or actively managing its investees. However, the Board understands that an investment entity may engage in these activities in order to maximise the overall value of the investee (ie to maximise capital appreciation), rather than to obtain other benefits. Consequently, the Board believes that these activities can be consistent with the overall activities of an investment entity and should not be prohibited as long as they do not represent a separate substantial business activity or source of income other than capital appreciation.
- BC242 The Board was concerned that an entity that meets the definition of an investment entity could be inserted into a larger corporate structure to achieve a particular accounting outcome. For example, a parent entity could use an 'internal' investment entity subsidiary to invest in subsidiaries that may be making losses (eg research and development activities on behalf of the overall group) and would record its investments at fair value, rather than reflecting the underlying activities of the investee. To address these concerns and to emphasise the business purpose of an investment entity, the Board decided to include a requirement that 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 parties that are not related to the investee. In the Board's view, this is one of the factors that differentiate an investment entity from a non-investment entity holding company. If an entity or another member of the group containing the entity obtains benefits from its investees that are unavailable to other investors, then the investment will benefit that entity or the group in some operating or strategic capacity and the entity will therefore not qualify as an investment entity.
- BC243 However, the Board also clarified that an investment entity may have more than one investment in the same industry, market or geographical area in order to benefit from synergies that increase the capital appreciation of those investments. It noted that such a fact pattern may be common in the private equity industry. Some Board members expressed concern that allowing transactions or synergies between investments may artificially increase the fair value of each investment and, consequently, inappropriately increase the assets reported by the investment entity. However, the Board decided that trading transactions or synergies that arise between the investments of an investment entity should not be prohibited because their existence does not necessarily mean that the investment entity is receiving any returns beyond solely capital appreciation, investment income, or both.

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Investment entity parent of an investment entity subsidiary

- BC272 The *Investment Entities* ED proposed that an investment entity would measure all of its subsidiaries at fair value (except for those subsidiaries providing investment-related services), even those investees who were themselves investment entities. Some respondents questioned this proposal and suggested

that at least some investment entity subsidiaries should be consolidated (for example, wholly-owned investment entity subsidiaries that are created for legal, tax or regulatory purposes). However, the Board thinks that fair value measurement of all an investment entity's subsidiaries (except for those subsidiaries providing investment-related services or activities) would provide the most useful information and therefore decided to retain this proposal. The Board considered requiring an investment entity to consolidate only those investment entity subsidiaries that are formed for legal, tax or regulatory purposes, but decided against this because there is no conceptual basis for distinguishing between different investment entity subsidiaries. Moreover, the Board thinks that it would be very difficult to distinguish between an investment entity subsidiary formed for a specific legal, tax or regulatory purpose and those that are set up only for other business reasons.

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Transition

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BC287A The Board decided that no specific transition guidance was needed and, therefore, an entity should apply *Investment Entities: Applying the Consolidation Exception* (Amendments to IFRS 10, IFRS 12 and IAS 28) retrospectively in accordance with IAS 8. However, the Board decided that an entity need only present the quantitative information required by paragraph 28(f) of IAS 8 for the annual period immediately preceding the date of initial application of this IFRS (the 'immediately preceding period') when the amendments are first applied.

Amendments to the Basis for Conclusions on IFRS 12 *Disclosure of Interests in Other Entities*

Paragraphs BC61I and BC119C are added. New text is underlined.
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Investment entities

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BC61I In December 2014, the Board issued *Investment Entities: Applying the Consolidation Exception* (Amendments to IFRS 10, IFRS 12 and IAS 28). This amended paragraph 6(b) of IFRS 12 to clarify the applicability of IFRS 12 to the financial statements of an investment entity. In June 2014, the Board published the Exposure Draft *Investment Entities: Applying the Consolidation Exception* (Proposed amendments to IFRS 10 and IAS 28) (the 'Consolidation Exception ED'). The comments received in response to the Consolidation Exception ED highlighted a lack of clarity about the applicability of IFRS 12 to the financial statements of an investment entity. In particular, the respondents to the Consolidation Exception ED pointed out that paragraph 6 of IFRS 12 stated that the Standard did not apply to an entity's separate financial statements without stating the applicability of IFRS 12 to an investment entity. The Board noted that, in contrast, paragraph 16A of IAS 27 *Separate Financial Statements* requires that an investment entity shall present the disclosures relating to investment entities required by IFRS 12. Accordingly, in response to the feedback received, the Board decided to clarify that the scope exclusion in paragraph 6(b) does not apply to the financial statements of a parent that is an investment entity and has measured all of its subsidiaries at fair value through profit or loss in accordance with paragraph 31 of IFRS 10. In such a case, the investment entity shall present the disclosures relating to investment entities required by IFRS 12. The Board also noted that if an investment entity has a subsidiary that it consolidates in accordance with paragraph 32 of IFRS 10, the disclosure requirements in IFRS 12 apply to the financial statements in which the investment entity consolidates that subsidiary.

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Effective date and transition

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BC119C The Board decided that no specific transition guidance was needed and, therefore, an entity should apply *Investment Entities: Applying the Consolidation Exception* (Amendments to IFRS 10, IFRS 12 and IAS 28) retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

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

Paragraph BC9 is footnoted as follows. New text is underlined.

In December 2014, the IASB issued *Investment Entities: Applying the Consolidation Exception* (Amendments to IFRS 10, IFRS 12 and IAS 28). The amendments introduced relief to permit a non-investment entity investor in an associate or joint venture that is an investment entity to retain the fair value through profit or loss measurement applied by the associate or joint venture to its subsidiaries (see paragraphs BC46A–BC46G).

Paragraphs BC19A, BC46A–BC46G, BC50A and their related headings are added. New text is underlined.

Exemption from applying the equity method: subsidiary of an investment entity

BC19A In December 2014, the Board amended IFRS 10 to confirm that the exemption from preparing consolidated financial statements set out in paragraph 4(a) of IFRS 10 is available to a parent entity that is a subsidiary of an investment entity. The Board also decided to amend paragraph 17 of IAS 28 for the same reasons. Paragraph 17 of IAS 28 uses the same criteria as paragraph 4(a) of IFRS 10 to provide an exemption from applying the equity method for entities that are subsidiaries and that hold interests in associates and joint ventures.

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Retaining the fair value measurement applied by an associate or joint venture that is an investment entity

BC46A In October 2012, the Board issued *Investment Entities* (Amendments to IFRS 10, IFRS 12 and IAS 27), which required investment entities, as defined in IFRS 10, to measure most investments in subsidiaries at fair value through profit or loss. The amendments did not introduce any new accounting requirements for investments in associates or joint ventures. This is because paragraphs 18–19 of IAS 28 already allowed an investment entity to measure its investments in associates and joint ventures at fair value through profit or loss in accordance with IFRS 9. A wider range of entities, including venture capital organisations, or mutual funds, unit trusts and similar entities including investment-linked insurance funds, may also elect to measure their investments in associates and joint ventures in the same way.

BC46B Paragraph 33 of IFRS 10 requires a non-investment entity parent of an investment entity to consolidate all entities that it controls, including those controlled through an investment entity subsidiary. This is consistent with the proposal contained in the Exposure Draft *Investment Entities* (the ‘*Investment Entities* ED’), which was published in August 2011. Some respondents to the *Investment Entities* ED noted that this seemed inconsistent with paragraphs 18–19 of IAS 28, which allow a wider group of entities than only investment entities to measure their investments in associates and joint ventures at fair value through profit or

loss. The Board acknowledged this inconsistency, and explained its reasons for not amending IAS 28 in line with IFRS 10, in paragraph BC283 of IFRS 10.

- BC46C Subsequently, the IFRS Interpretations Committee (the 'Interpretations Committee') received a request to clarify whether an entity that is not an investment entity should, when applying the equity method of accounting for its investment in an associate or joint venture that is an investment entity, retain the fair value measurement that is applied by that associate or joint venture to its subsidiaries or, instead, 'unwind' that treatment and apply consolidation procedures. Members of the Interpretations Committee had mixed views on the matter and, because of the need to provide clarity before the end of 2014, the matter was passed to the Board.
- BC46D The Board noted that the scope of the amendment in the *Investment Entities* ED was restricted to providing an exception to the consolidation requirements for investment entity parents. This exception reflects the unique business model of an investment entity, for which fair value information is more relevant than consolidation. This unique business model is not applicable to a non-investment entity parent. Consequently, paragraph 33 of IFRS 10 requires a non-investment entity parent of an investment entity to consolidate all entities that it controls, both directly and indirectly through an investment entity. This requires the non-investment entity parent to unwind the fair value through profit or loss measurement used by its investment entity subsidiaries for indirectly held subsidiaries.
- BC46E The Board also noted that paragraphs 35–36 of IAS 28, which require the use of uniform accounting policies, would apply for a non-investment entity investor and its investment entity associates or joint ventures. This would mean that the subsidiaries of those investment entity associates and joint ventures should be consolidated into the financial statements of those associates and joint ventures prior to the equity method being applied. The Board noted that this is conceptually consistent with the requirement in IFRS 10 for a non-investment entity parent to consolidate subsidiaries held through an investment entity subsidiary.
- BC46F However, some Board members raised concerns about the potentially significant practical difficulties or additional costs that may arise for an entity in unwinding the fair value through profit or loss measurement applied by an investment entity associate or joint venture for their interests in subsidiaries. Some Board members noted that the degree of practical difficulty is different depending on whether the investee is an associate or joint venture. In addition, some Board members noted the structuring risks highlighted in paragraph BC280 of IFRS 10 and noted that an investor's ability to achieve different accounting outcomes by holding investments through an investment entity investee is different depending on whether the investee is an associate or a joint venture. Consequently, in the Exposure Draft *Investment Entities: Applying the Consolidation Exception* (Proposed amendments to IFRS 10 and IAS 28) (the '*Consolidation Exception* ED'), which was published in June 2014, the Board proposed to provide relief to non-investment entity investors for their interests in investment entity associates, but not for their interests in investment entity joint ventures.

BC46G The practicality and cost concerns were noted by the majority of respondents to the *Consolidation Exception* ED. However, the majority of respondents disagreed with the proposal to limit the relief to interests in investment entity associates, noting that the practicality and cost issues also applied to interests in joint ventures. In addition, some respondents disagreed with the concerns about the risk of structuring, noting that the difference between significant influence and joint control is much smaller than the difference between control and joint control. Consequently, the Board decided to provide relief to non-investment entity investors in both investment entity associates and joint ventures and to retain the consistency in treatment in applying the equity method to both associates and joint ventures. This relief permits, but does not require, a non-investment entity investor to retain the fair value through profit or loss measurement applied by an investment entity associate or joint venture for their subsidiaries when applying the equity method.

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Effective date and transition

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BC50A The Board decided that no specific transition guidance was needed and, therefore, an entity should apply *Investment Entities: Applying the Consolidation Exception* (Amendments to IFRS 10, IFRS 12 and IAS 28) retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.