



**Australian Government**  
**Australian Accounting  
Standards Board**

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12 March 2014

Mr Hans Hoogervorst  
Chairman  
International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
UNITED KINGDOM

Dear Hans

***IASB ED/2013/11 Annual Improvements to IFRSs 2012-2014 Cycle***

The Australian Accounting Standards Board (AASB) is pleased to provide its comments on ED/2013/11 *Annual Improvements to IFRSs 2012-2014 Cycle*. In formulating its views, the AASB sought and considered the views of Australian constituents. The comment letters received are published on the AASB's website.

Overall, the AASB supports the proposed amendments. However, we have some concerns about the following proposed amendments:

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* – changes in methods of disposal
- IFRS 7 *Financial Instruments: Disclosures* – servicing contracts
- IAS 19 *Employee Benefits* – discount rate: regional market issue

Our concerns and suggestions for improvement are explained in the attachment. The attachment also includes the AASB's comments on the specific questions in the Exposure Draft.

If you have any questions regarding this letter, please do not hesitate to contact Evelyn Ling ([evelynl@asb.gov.au](mailto:evelynl@asb.gov.au)).

Yours sincerely,

A handwritten signature in black ink that reads "K.M. Stevenson".

Kevin M. Stevenson  
*Chairman and CEO*

## APPENDIX A

### AASB's responses to the Questions for Respondents to ED/2013/11

The AASB's views on the questions in the Exposure Draft are as follows:

#### **Question 1 – Proposed Amendment**

Do you agree with the IASB's proposal to amend the Standards as described in the Exposure Draft? If not, why and what alternative do you propose?

The AASB supports the proposed amendments in light of the explanation for them given in each of the IASB's Basis for Conclusions on ED/2013/11. However, we have the following comments about the specific amendments noted below:

#### **IFRS 5 – Changes in methods of disposal**

The AASB supports the proposal to clarify that no change in measurement is triggered. However, we are concerned that introducing further limited amendments to IFRS 5 in respect of assets held for distribution to owners may inadvertently create uncertainty in the Standard as to how other paragraphs that do not refer specifically to assets held for distribution operate. Accordingly, we recommend that the IASB gives consideration to whether other paragraphs in IFRS 5 should similarly be amended.

In respect of the amendments proposed to paragraph 27, we question whether paragraph 27(b) should be amended to also reference cessation of distribution to owners, consistent with the amendments proposed to the remainder of paragraph 27.

#### **IFRS 7 – Servicing contracts**

The AASB supports the proposal to add application guidance to IFRS 7 to clarify that servicing contracts are not scoped out of the disclosures specified by IFRS 7.42E-42H. However, the AASB notes that each form of 'continuing involvement', including servicing contracts at market rates, would continue to be assessed for disclosure based on the entity's assessment of the materiality or otherwise of the disclosure.

In respect of proposed paragraph B30A, the AASB considers it would be helpful for the paragraph to also give an example of a servicing contract in which the servicer does not have any remaining continuing involvement, for example where the servicer receives a fixed fee for servicing the transferred financial asset regardless of the financial asset's future performance. The AASB also considers that the drafting of the paragraph could be improved so as to not give rise to the impression that the default position is that servicing contracts give rise to continuing involvement, for example, as follows:

“ ... While ~~t~~The right to earn a fee for servicing the financial asset is generally continuing involvement for the purposes of applying the disclosure requirements, ~~;~~ The an entity must assess the servicing contract in accordance with the guidance in paragraphs 42C and BC30 to make that determination. ...”

#### **IAS 19 – Discount rates: regional market issue**

The AASB supports the proposal to clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. However, we are concerned that the underlying

principle becomes less clear when markets other than the Eurozone are considered, for example in markets that routinely use USD in place of their national currency. Consequently, we recommend that the IASB clarifies the underlying basis before finalising the amendment. The AASB also notes that there may be implementation issues in applying the proposed amendment to IAS 19, for example, whether the discount rate applied should be consistent for entities in different countries whose post-employment benefit obligations are denominated in the same currency.

**Question 2 – Transition provisions and effective date**

Do you agree with the proposed transition provisions and effective date for the issue as described in the Exposure Draft? If not, why and what alternative do you propose?

The AASB agrees with the proposed transition provisions and effective dates.