

Effective Date of Amendments to AASB 10 and AASB 128

Comments to the AASB by 9 September 2015



Australian Government

**Australian Accounting
Standards Board**

How to Comment on this AASB Exposure Draft

Constituents are strongly encouraged to respond to the AASB and the IASB. The AASB is seeking comment by 9 September 2015. This will enable the AASB to consider Australian constituents' comments in the process of formulating its own comments to the IASB, which are due by 9 October 2015.

Formal Submissions

Submissions should be lodged online via the “Work in Progress – Open for Comment” page of the AASB website (www.aasb.gov.au/comment) as a PDF document and, if possible, a Word document (for internal use only).

Other Feedback

Other feedback is welcomed and may be provided via the following methods:

E-mail: standard@aaasb.gov.au
Phone: (03) 9617 7600

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

COPYRIGHT

© Commonwealth of Australia 2015

This document contains IFRS Foundation copyright material. Reproduction within Australia in unaltered form (retaining this notice) is permitted for personal and non-commercial use subject to the inclusion of an acknowledgment of the source. Requests and enquiries concerning reproduction and rights for commercial purposes within Australia should be addressed to The Director of Finance and Administration, Australian Accounting Standards Board, PO Box 204, Collins Street West, Victoria 8007.

All existing rights in this material are reserved outside Australia. Reproduction outside Australia in unaltered form (retaining this notice) is permitted for personal and non-commercial use only. Further information and requests for authorisation to reproduce for commercial purposes outside Australia should be addressed to the IFRS Foundation at www.ifrs.org.

ISSN 1030-5882

AASB REQUEST FOR COMMENTS

The Australian Accounting Standards Board (AASB) has incorporated the requirements of International Financial Reporting Standard *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (which was issued in September 2014 with an application date of 1 January 2016) within AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*.

The International Accounting Standards Board (IASB) is proposing to defer indefinitely the effective date of *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* until such time as the IASB has finalised amendments, if any, that result from its research project on the equity method. However, earlier application would continue to be permitted.

If the IASB's proposals become a Standard, the AASB would not be able to defer indefinitely the effective date of the relevant amendments in AASB 2014-10. This is because, under the *Corporations Act 2001*, if an Accounting Standard does not include a mandatory effective date, then the requirements of the Standard would become immediately mandatory for periods ending after the legal commencement of the Standard. Therefore, the best approach for the AASB is to defer the effective date of the amendments to a specified mandatory effective date. The AASB would decide this later mandatory date at a future AASB meeting.

When the mandatory effective date of *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* is decided by the IASB, the AASB would align the mandatory effective date in its Standard to be the same as the IASB Standard.

The AASB's policy is to incorporate International Financial Reporting Standards (IFRSs) into Australian Accounting Standards. Accordingly, the AASB is inviting comments on:

- (a) the question for respondents in the attached International Accounting Standards Board (IASB) Exposure Draft; and
- (b) the 'AASB Specific Matters for Comment' listed below.

AASB Specific Matters for Comment

The AASB would particularly value comments on the following:

1. whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to:
 - (a) not-for-profit entities; and
 - (b) public sector entities, including GAAP/GFS implications;
2. whether, overall, the proposals would result in financial statements that would be useful to users;
3. whether the proposals are in the best interests of the Australian economy; and
4. unless already provided in response to specific matters for comment 1 – 3 above, the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative. In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs, or cost savings, of the proposals relative to the existing requirements.

August 2015

Exposure Draft ED/2015/7

Effective Date of Amendments to IFRS 10 and IAS 28

Comments to be received by 9 October 2015

IASB[®]

 IFRS[®]

Effective Date of Amendments to
IFRS 10 and IAS 28

Comments to be received by 9 October 2015

Exposure Draft ED/2015/7 *Effective Date of Amendments to IFRS 10 and IAS 28* is published by the International Accounting Standards Board (IASB) for comment only. The proposals may be modified in the light of the comments received before being issued in final form. Comments need to be received by **9 October 2015** and should be submitted in writing to the address below, by email to commentletters@ifrs.org or electronically using our 'Comment on a proposal' page.

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

Disclaimer: the IASB, the IFRS Foundation, the authors and the publishers do not accept responsibility for any loss caused by acting or refraining from acting in reliance on the material in this publication, whether such loss is caused by negligence or otherwise.

International Financial Reporting Standards (including International Accounting Standards and SIC and IFRIC Interpretations), Exposure Drafts and other IASB and/or IFRS Foundation publications are copyright of the IFRS Foundation.

Copyright © 2015 IFRS Foundation®

ISBN: 978-1-909704-92-3

All rights reserved. Copies of the Exposure Draft may only be made for the purpose of preparing comments to the IASB provided that such copies are for personal or internal use, are not sold or otherwise disseminated, acknowledge the IFRS Foundation's copyright and set out the IASB's address in full.

Except as permitted above no part of this publication may be translated, reprinted, reproduced or used in any form either in whole or in part or by any electronic, mechanical or other means, now known or hereafter invented, including photocopying and recording, or in any information storage and retrieval system, without prior permission in writing from the IFRS Foundation.

The approved text of International Financial Reporting Standards and other IASB publications is that published by the IASB in the English language. Copies may be obtained from the IFRS Foundation. Please address publications and copyright matters to:

IFRS Foundation Publications Department
30 Cannon Street, London EC4M 6XH, United Kingdom
Tel: +44 (0)20 7332 2730 Fax: +44 (0)20 7332 2749
Email: publications@ifrs.org Web: www.ifrs.org



The IFRS Foundation logo/the IASB logo/the IFRS for SMEs logo/'Hexagon Device', 'IFRS Foundation', 'IFRS Taxonomy', 'eIFRS', 'IASB', 'IFRS for SMEs', 'IAS', 'IAss', 'IFRIC', 'IFRS', 'IFRSs', 'SIC', 'International Accounting Standards' and 'International Financial Reporting Standards' are Trade Marks of the IFRS Foundation.

Further details of the Trade Marks, including details of countries where the Trade Marks are registered or applied for, are available from the IFRS Foundation on request.

The IFRS Foundation is a not-for-profit corporation under the General Corporation Law of the State of Delaware, USA and operates in England and Wales as an overseas company (Company number: FC023235) with its principal office as above.

CONTENTS

	<i>from page</i>
INVITATION TO COMMENT	4
[DRAFT] AMENDMENTS TO IFRS 10 CONSOLIDATED FINANCIAL STATEMENTS	5
[DRAFT] AMENDMENTS TO IAS 28 ASSOCIATES AND JOINT VENTURES	5
APPROVAL BY THE BOARD OF EFFECTIVE DATE OF AMENDMENTS TO IFRS 10 AND IAS 28 PUBLISHED IN AUGUST 2015	6
BASIS FOR CONCLUSIONS ON EFFECTIVE DATE OF AMENDMENTS TO IFRS 10 AND IAS 28	7

Invitation to comment

In September 2014 the International Accounting Standards Board (IASB) issued *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28). The IASB has published this Exposure Draft to propose deferring the effective date of that September 2014 amendment indefinitely, until such time as it has finalised amendments, if any, that result from its research project on the equity method. Any proposal to insert an effective date will be exposed for public comment.

Earlier application of the September 2014 amendment continues to be permitted.

The IASB will consider the comments it receives on the proposal to decide whether to proceed with this amendment. The IASB intends to finalise this deferral by the end of 2015, before the effective date of the September 2014 amendment.

Comments should be submitted in writing so as to be received no later than **9 October 2015**.

Question for respondents

The IASB proposes to defer indefinitely the effective date of *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* until such time as it has finalised amendments, if any, that result from its research project on the equity method. Earlier application would continue to be permitted.

Do you agree with this proposal? Why or why not?

How to comment

Comments should be submitted using one of the following methods.

Electronically Visit the 'Comment on a proposal' page, which can be found at:
(our preferred method) go.ifrs.org/comment

Email Email comments can be sent to: commentletters@ifrs.org

Postal IFRS Foundation
30 Cannon Street
London EC4M 6XH
United Kingdom

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

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

Paragraph C1C is amended. Deleted text is struck through and new text is underlined.

...

Effective date

...

C1C *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28), issued in September 2014, amended paragraphs 25–26 and added paragraph B99A. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after ~~1 January 2016~~ a date to be inserted by the IASB. Earlier application is permitted. If an entity applies those amendments earlier, it shall disclose that fact.

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

Paragraph 45C is amended. Deleted text is struck through and new text is underlined.

...

Effective date and transition

...

45C *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28), issued in September 2014, amended paragraphs 28 and 30 and added paragraphs 31A–31B. An entity shall apply those amendments prospectively to the sale or contribution of assets occurring in annual periods beginning on or after ~~1 January 2016~~ a date to be inserted by the IASB. Earlier application is permitted. If an entity applies those amendments earlier, it shall disclose that fact.

Approval by the Board of *Effective Date of Amendments to IFRS 10 and IAS 28* published in August 2015

The Exposure Draft *Effective Date of Amendments to IFRS 10 and IAS 28* was approved for publication by the fourteen members of the International Accounting Standards Board.

Hans Hoogervorst Chairman

Ian Mackintosh Vice-Chairman

Stephen Cooper

Philippe Danjou

Amaro Luiz de Oliveira Gomes

Martin Edelmann

Patrick Finnegan

Gary Kabureck

Suzanne Lloyd

Takatsugu Ochi

Darrel Scott

Chungwoo Suh

Mary Tokar

Wei-Guo Zhang

Basis for Conclusions on *Effective Date of Amendments to IFRS 10 and IAS 28*

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

- BC1 Between 2013 and 2015, the IFRS Interpretations Committee and the IASB considered a number of issues in relation to the transfers of assets between an investor and its associates or joint ventures.
- BC2 In September 2014, the IASB issued an amendment to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, called *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* ('the September 2014 Amendment'). The September 2014 Amendment made it clear that:
- (a) a full gain or loss is recognised when a transfer to an associate or a joint venture involves a business; and
 - (b) a partial gain or loss is recognised if the asset transferred does not contain a business. The gain or loss that is not recognised is eliminated against the cost of the investment.
- BC3 In February 2015, the IASB gave the staff permission to begin balloting on a further narrow-scope amendment ('the February 2015 Proposals') that would clarify in greater detail:
- (a) how the eliminations required by the September 2014 Amendment would be recognised if the amount eliminated exceeds the carrying amount of the investment;
 - (b) how the transfer of assets would be recognised if the investor receives both assets and an equity interest; and
 - (c) how other requirements of IAS 28 interact with the changes made to IFRS 10 by the September 2014 Amendment.
- BC4 Because the February 2015 Proposals were intended to clarify the September 2014 Amendment, the February 2015 Proposals also included a proposal to defer the effective date of the September 2014 Amendment from 1 January 2016. The new effective date would have been inserted after exposure and would have coincided with the effective date for the clarifications resulting from the February 2015 Proposals.
- BC5 In June 2015, the IASB decided:
- (a) that the issues addressed in the February 2015 Proposals should instead be addressed as part of the IASB's research project on equity accounting. That project is investigating potential simplifications of the equity method of accounting; and
 - (b) to defer the effective date of the September 2014 Amendment so that entities would not need to change the way in which they apply IAS 28 twice in a short period of time.
- BC6 The IASB noted that the effective date of the September 2014 Amendment was in six months' time, ie 1 January 2016. The IASB decided, therefore, that the

deferral of the effective date of the September 2014 Amendment was urgent and that this proposal needed to be finalised by 31 December 2015. The IASB normally allows a minimum period of 120 days for comment on an Exposure Draft. Because of the urgency of this matter, however, the IASB requested, and received approval, from the Due Process Oversight Committee of the IFRS Foundation's Trustees to allow a period of no less than 60 days for comment on these proposals.

- BC7 The IASB intends that the effective date for the September 2014 Amendment will be the same as the effective date for the revisions of IAS 28, if any, that result from the research project. However, the IASB does not yet know whether the research project will result in an amendment to IAS 28 nor what the effective date of any such amendment would be. Accordingly, the IASB proposes to defer the effective date of the September 2014 Amendment until a date to be inserted by the IASB. The IASB intends to insert that date when it finalises the revisions, if any, that result from the research project. Any proposal to insert an effective date will be exposed for public comment.
- BC8 The IASB considered whether early application of the September 2014 Amendment should be allowed while the effective date is deferred. Some members of the IASB were concerned that allowing early application would increase diversity in practice. The IASB decided that early application should continue to be permitted because the September 2014 Amendment was intended to address existing diversity in practice. Consequently, early application of the September 2014 Amendment was considered unlikely to increase diversity. The IASB noted that it plans to address the issues covered by the September 2014 Amendment comprehensively, together with any proposals that arise from the research project, at a future date.

I BN 978-1- 1-92-



International Accounting Standards Board® (IASB®)
The IASB is the independent standard-setting body of the IFRS Foundation®

30 Cannon Street | London EC4M 6XH | United Kingdom
Telephone: +44 (0)20 7246 6410 | Fax: +44 (0)20 7246 6411
Email: info@ifrs.org | Web: www.ifrs.org

Publications Department
Telephone: +44 (0)20 7332 2730 | Fax: +44 (0)20 7332 2749
Email: publications@ifrs.org

IAS®