EXPOSURE DRAFT 2015/10

ANNUAL IMPROVEMENTS TO IFRSs 2014 – 2016 CYCLE

INTERNATIONAL FINANCIAL REPORTING BULLETIN 2015/16

Summary

On 19 November 2015, the International Accounting and Standards Board (IASB) published the Exposure Draft 2015/10 *Annual Improvements to IFRSs 2014 – 2016 Cycle* (the ED).

The ED proposes amendments to three standards:

Standard	Amendments relate to
IFRS 1 *First - time Adoption of International Financial Reporting Standards*	– Deletion of short-term exemptions for first – time adopters.
IFRS 12 *Disclosure of Interests in Other Entities*	– Clarification of the scope of the disclosure requirements.
IAS 28 *Investments in Associates and Joint Ventures*	– Measuring investees at fair value through profit or loss on an investment – by – investment basis.

STATUS
Exposure Draft

EFFECTIVE DATE
To be confirmed

ACCOUNTING IMPACT
May be significant

Amendments

IFRS 1 First – time Adoption of International Financial Reporting Standards

The IASB proposes to delete the short – term exemptions in paragraphs E3 – E5 and 37 as the reliefs provided by those paragraphs are no longer applicable.

- Paragraph E3: the relief provided in paragraph 44G of IFRS 7 *Financial Instruments: Disclosures* is not applicable for financial statements corresponding to annual periods ending on or after 31 December 2010.
- Paragraph E4: the relief provided in paragraph 44M of IFRS 7 *Financial Instruments: Disclosures* is not applicable for financial statements corresponding to annual periods ending on or after 30 June 2013.
- Paragraph E4A: the relief provided in paragraph 44AA of IFRS 7 *Financial Instruments: Disclosures* is not applicable for financial statements corresponding to annual periods ending on or after 31 December 2017.
- Paragraph E5: the relief provided in paragraph 173(b) of IAS 19 *Employee Benefits* is not applicable for financial statements corresponding to annual periods ending on or after 31 December 2015.
- Paragraph E7: the exemption is no longer applicable for first – time adopters that have prepared their first IFRS financial statements for annual periods ending after 31 December 2014.

The IASB proposes to delete paragraph E6 because the relief provided by this paragraph is considered unnecessary.

IFRS 12 Disclosure of Interests in other Entities

The IASB noted that the disclosure objective of IFRS 12 *Disclosure of Interests in Other Entities* is relevant to interests in other entities regardless of whether or not they are classified as held for sale, as held for distribution to owners or as discontinued operations.

The reasons why these disclosures are relevant are the following:

a) an entity continues to be exposed to risks associated with interests in other entities regardless of their classification as held for sale or as held for distribution to owners; and
b) the effects of those interests on an entity's financial position, financial performance and cash flows also exist regardless of their classification as held for sale, aa held for distribution to owners or as discontinued operations.

The IASB proposes to clarify the scope of IFRS by specifying that the disclosure requirements in this Standard, except for those in paragraphs B10 – B16, apply to interests irrespective of whether they are classified as held for sale, as held for distribution to owners or as discontinued operations in accordance with IFRS 5.

IAS 28 Investments in Associates and Joint Ventures

An investment in an associate or joint venture is permitted to be measured at fair value through profit or loss, instead of the equity method being applied, if the investment is held directly or indirectly through a venture capital organisation, unit trust or similar entities.

The IASB received a request to clarify whether an entity is able to choose between applying the equity method, or measuring an investee at fair value through profit or loss, on an investment – by – investment basis, or whether the accounting treatment should be applied consistently across all its investments.

The IASB proposes that the wording of paragraph 18 of IAS 28 should be amended to specify that a qualifying entity may elect to measure investments in associates and joint ventures at fair value through profit or loss on an investment – by – investment basis, upon initial recognition. The IASB also concluded that similar clarifications should be made for a reporting entity that is not an investment entity and that has an associate or a joint venture that is an investment entity.

Effective date

The effective date of the annual improvements has not yet been determined.

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