

November 2015

Exposure Draft ED/2015/10

Annual Improvements to IFRSs 2014–2016 Cycle

Comments to be received by 17 February 2016

IASB[®]

 IFRS[®]

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ISBN: 978-1-911040-11-8

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Tel: +44 (0)20 7332 2730 Fax: +44 (0)20 7332 2749
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Introduction

The International Accounting Standards Board (IASB) has published this Exposure Draft of the proposed amendments to International Financial Reporting Standards (IFRS) as part of its Annual Improvements project.

The Annual Improvements project provides a streamlined process for dealing efficiently with a collection of non-urgent amendments to IFRS. These amendments meet the criteria for the IASB's Annual Improvements process.

Issues submitted for consideration within the Annual Improvements process are considered and discussed by the IFRS Interpretations Committee ('the Interpretations Committee') and the IASB. These discussions take place in the Interpretations Committee's and the IASB's public meetings.

Content

The Exposure Draft includes a chapter for each Standard for which an amendment is proposed. Each chapter includes:

- (a) an explanation of the proposed amendment;
- (b) when necessary, any specific additional questions that are unique to that proposed amendment;
- (c) the paragraphs of the Standard or Implementation Guidance that are affected by the proposed amendment;
- (d) the proposed effective date of each proposed amendment; and
- (e) the basis for the IASB's conclusions in proposing the amendment.

Some proposed amendments involve consequential amendments to other Standards. Those consequential amendments are included in the chapter that sets out the proposed amendments to the relevant Standard from which the consequential amendment arises.

Invitation to comment

The IASB invites comments on the proposals in this Exposure Draft, particularly on the questions set out below. Comments are most helpful if they:

- (a) comment on the questions as stated;
- (b) indicate the specific paragraph(s) to which they relate;
- (c) contain a clear rationale; and
- (d) describe any alternative that the IASB should consider, if applicable.

Respondents need not comment on all of the proposed amendments or all of the questions asked about any amendment. The IASB is not requesting comments on matters that are not addressed in this Exposure Draft.

The IASB will consider all comments received in writing by **17 February 2016**. In considering the comments, the IASB will base its conclusions on the merits of the arguments for and against each alternative, not on the number of responses supporting each alternative.

Questions for respondents (please answer individually for each proposed amendment)

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?

Question 2—Transition provisions
Do you agree with the proposed transition provisions as described in the Exposure Draft? If not, why and what alternative do you propose?

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.

Standards addressed

The following table shows the topics addressed by these amendments.

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

Approval by the Board of the Exposure Draft *Annual Improvements to IFRS 2014–2016 Cycle* published in November 2015

The Exposure Draft *Annual Improvements to IFRS 2014–2016 Cycle* was approved for issue by fourteen members of the International Accounting Standards Board.

Hans Hoogervorst	Chairman
Ian Mackintosh	Vice-Chairman
Stephen Cooper	
Philippe Danjou	
Martin Edelmann	
Patrick Finnegan	
Amaro Gomes	
Gary Kabureck	
Suzanne Lloyd	
Takatsugu Ochi	
Darrel Scott	
Chungwoo Suh	
Mary Tokar	
Wei-Guo Zhang	

[Draft] Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*

Introduction

The following amendment is proposed to IFRS 1 *First-time Adoption of International Financial Reporting Standards*.

Deletion of short-term exemptions for first-time adopters

The IASB proposes to delete the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose.

[Draft] Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*

Paragraphs 39L and 39T are amended, paragraphs 39D, 39F and 39AA are deleted and paragraph 39BB is added. Deleted text is struck through and new text is underlined.

Effective date

- ...
- 39D ~~[Deleted] *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* (Amendment to IFRS 1), issued in January 2010, added paragraph E3. An entity shall apply that amendment for annual periods beginning on or after 1 July 2010. Earlier application is permitted. If an entity applies the amendment for an earlier period, it shall disclose that fact.~~
- 39E ...
- 39F ~~[Deleted] *Disclosures—Transfers of Financial Assets* (Amendments to IFRS 7), issued in October 2010, added paragraph E4. An entity shall apply that amendment for annual periods beginning on or after 1 July 2011. Earlier application is permitted. If an entity applies the amendment for an earlier period, it shall disclose that fact.~~
- ...
- 39L IAS 19 *Employee Benefits* (as amended in June 2011) amended paragraph D1, and deleted paragraphs D10 and D11 ~~and added paragraph E5~~. An entity shall apply those amendments when it applies IAS 19 (as amended in June 2011).
- ...
- 39T *Investment Entities* (Amendments to IFRS 10, IFRS 12 and IAS 27), issued in October 2012, amended paragraphs D16, D17 and Appendix C ~~and added a heading and paragraphs E6–E7~~. An entity shall apply those amendments for annual periods beginning on or after 1 January 2014. Earlier application of *Investment Entities* is permitted. If an entity applies those amendments earlier it shall also apply all amendments included in *Investment Entities* at the same time.
- ...
- 39AA ~~[Deleted] *Annual Improvements to IFRSs 2012–2014 Cycle*, issued in September 2014, added paragraph E4A. An entity shall apply that amendment for annual periods beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.~~
- 39BB [Draft] *Annual Improvements to IFRS 2014–2016 Cycle*, issued in [date], amended paragraph 39L to delete the reference to paragraph E5 and amended paragraph 39T to delete the reference to paragraphs E6–E7. It also deleted paragraph 39D (which had added paragraph E3), paragraph 39F (which had added paragraph E4), and paragraph 39AA (which had added paragraph E4A) and deleted paragraphs E3–E7. An entity shall apply those amendments for annual periods beginning on or after [date to be inserted after exposure].

In Appendix E, paragraphs E3–E7 and related headings are deleted.

Appendix E Short-term exemptions from IFRSs

This appendix is an integral part of the IFRS.

...

Disclosures about financial instruments

E3 ~~[Deleted] A first-time adopter may apply the transition provisions in paragraph 44G of IFRS 7.²~~

² Paragraph E3 was added as a consequence of *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* (Amendment to IFRS 1) issued in January 2010. To avoid the potential use of hindsight and to ensure that first-time adopters are not disadvantaged as compared with current IFRS preparers, the Board decided that first-time adopters should be permitted to use the same transition provisions permitted for existing preparers of financial statements prepared in accordance with IFRSs that are included in *Improving Disclosures about Financial Instruments* (Amendments to IFRS 7).

E4 ~~[Deleted] A first-time adopter may apply the transition provisions in paragraph 44M of IFRS 7.³~~

³ Paragraph E4 was added as a consequence of *Disclosures—Transfers of Financial Assets* (Amendments to IFRS 7) issued in October 2010. To avoid the potential use of hindsight and to ensure that first-time adopters are not disadvantaged as compared with current IFRS preparers, the Board decided that first-time adopters should be permitted to use the same transition provisions permitted for existing preparers of financial statements prepared in accordance with IFRSs that are included in *Disclosures—Transfers of Financial Assets* (Amendments to IFRS 7).

E4A ~~[Deleted] A first-time adopter may apply the transition provisions in paragraph 44AA of IFRS 7.~~

Employee benefits

E5 ~~[Deleted] A first-time adopter may apply the transition provisions in paragraph 173(b) of IAS 19.~~

Investment entities

E6 ~~[Deleted] A first-time adopter that is a parent shall assess whether it is an investment entity, as defined in IFRS 10, on the basis of the facts and circumstances that exist at the date of transition to IFRSs.~~

E7 ~~[Deleted] A first-time adopter that is an investment entity, as defined in IFRS 10, may apply the transition provisions in paragraphs C3C–C3D of IFRS 10 and~~

~~paragraphs 18C–18G of IAS 27 if its first IFRS financial statements are for an annual period ending on or before 31 December 2014. The references in those paragraphs to the annual period that immediately precedes the date of initial application shall be read as the earliest annual period presented. Consequently, the references in those paragraphs shall be read as the date of transition to IFRSs.~~

Basis for Conclusions on the [draft] amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*

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

Short-term exemptions for first-time adopters

- BC1 The IASB proposes to delete the short-term exemptions in paragraphs E3–E7 of IFRS 1 *First-time Adoption of International Financial Reporting Standards*. These short-term exemptions are proposed to be deleted because the IASB noted that the relief provided in those paragraphs is no longer available, because it was relevant for reporting periods that have now passed. The IASB consequently concluded that the relief provided has now served its intended purpose. The relief has served its purpose because:
- (a) paragraph E3 provided first-time adopters with the same transition relief provided for existing IFRS preparers in paragraph 44G of IFRS 7 *Financial Instruments: Disclosures*. Paragraph E3 of IFRS 1 is deleted because the relief provided in paragraph 44G of IFRS 7 is not applicable for financial statements prepared for annual periods ending on or after 31 December 2010.
 - (b) paragraph E4 provided first-time adopters with the same transition relief provided for existing IFRS preparers in paragraph 44M of IFRS 7. Paragraph E4 is deleted because the relief provided in paragraph 44M of IFRS 7 is not applicable for financial statements prepared for annual periods ending on or after 30 June 2013.
 - (c) paragraph E4A provided first-time adopters with the same transition relief provided for existing IFRS preparers in paragraph 44AA of IFRS 7. Paragraph E4A is deleted because the relief provided in paragraph 44AA of IFRS 7 is not applicable for financial statements prepared for annual periods ending on or after 31 December 2017.
 - (d) paragraph E5 provided first-time adopters with the same transition relief provided for existing IFRS preparers in paragraph 173(b) of IAS 19 *Employee Benefits*. Paragraph E5 is deleted because the relief provided in paragraph 173(b) of IAS 19 is not applicable for financial statements prepared for annual periods ending on or after 31 December 2015.
 - (e) paragraph E7 provided first-time adopters with the ability to use the transition provisions in paragraphs C3C–C3D of IFRS 10 *Consolidated Financial Statements* and paragraphs 18C–18G of IAS 27 *Separate Financial Statements*. Paragraph E7 is deleted because 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.
- BC2 Paragraph E6 required a first-time adopter that is a parent to assess whether the entity is an investment entity as defined in IFRS 10 on the basis of facts and circumstances that existed at the date of transition to IFRS. The IASB notes that requiring a first-time adopter to assess whether it is an investment entity at the date of transition to IFRS has the same outcome as requiring the assessment to

be made retrospectively, ie at a date prior to the date of transition to IFRS. Investment entities are required to measure investments in subsidiaries at fair value through profit or loss. Consequently, whether the entity applies investment entity accounting from the date of transition to IFRS or from an earlier date, the outcome will be the same: the investment will be measured at fair value at the transition date with adjustments recognised against opening retained earnings. As a result, the IASB deleted paragraph E6, because the relief provided by this paragraph was considered unnecessary.

[Draft] Consequential amendments to other Standards

IFRS 7 *Financial Instruments: Disclosures*

The footnote to paragraph 44G is amended. New text is underlined.

Paragraph 44G was amended as a consequence of *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* (Amendment to IFRS 1) issued in January 2010. The Board amended paragraph 44G to clarify its conclusions and intended transition for *Improving Disclosures about Financial Instruments* (Amendments to IFRS 7). *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* (Amendment to IFRS 1) added transition relief in paragraph E3 to IFRS 1 *First-time Adoption of International Financial Reporting Standards, Annual Improvements to IFRS 2014–2016 Cycle*, issued in [date to be inserted after exposure], amended IFRS 1 by deleting those short-term exemptions for first-time adopters (see paragraph BCX of IFRS 1 [paragraph to be inserted after exposure]).

The following footnote is added to paragraph BC72A. New text is underlined.

Annual Improvements to IFRS 2014–2016 Cycle, issued in [date to be inserted after exposure], amended IFRS 1 *First-time Adoption of International Financial Reporting Standards* by deleting the exemption for first-time adopters (see paragraph BCX of IFRS 1 [paragraph to be inserted after exposure]) noting that it was no longer needed.

IFRS 10 *Consolidated Financial Statements*

The following footnote is added to paragraph BC287. New text is underlined.

Annual Improvements to IFRS 2014–2016 Cycle, issued in [date to be inserted after exposure], amended IFRS 1 *First-time Adoption of International Financial Reporting Standards* by deleting the exemption for first-time adopters (see paragraph BCX of IFRS 1 [paragraph to be inserted after exposure]) noting that it was no longer needed.

IAS 19 *Employee Benefits*

The following footnote is added to paragraph BC270. New text is underlined.

Annual Improvements to IFRS 2014–2016 Cycle, issued in [date to be inserted after exposure], amended IFRS 1 *First-time Adoption of International Financial Reporting Standards* by deleting the exemption for first-time adopters (see paragraph BCX of IFRS 1 [paragraph to be inserted after exposure]) noting that it was no longer needed.

**[Draft] Amendments to
IFRS 12 *Disclosure of Interests in Other Entities***

Introduction

The following amendment is proposed to IFRS 12 *Disclosure of Interests in Other Entities*.

Clarification of the scope of the disclosure requirements

IFRS 12 sets out the disclosure requirements for an entity's interests in other entities, such as subsidiaries, joint arrangements, associates and unconsolidated structured entities.

The IASB proposes to amend IFRS 12 to clarify the scope of the Standard by specifying that the disclosure requirements in this Standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution to owners in their capacity as owners or as discontinued operations in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

[Draft] Amendments to IFRS 12 *Disclosure of Interests in Other Entities*

Paragraph 5A is added. New text is underlined.

Scope

...

5A The requirements in this IFRS, except for those in paragraphs B10–B16, also apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution to owners in their capacity as owners (held for distribution to owners) or as discontinued operations in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

In Appendix B, paragraph B17 is amended. New text is underlined and deleted text is struck through.

Summarised financial information for subsidiaries, joint ventures and associates (paragraphs 12 and 21)

...

B17 When an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified as held for sale or as held for distribution to owners in accordance with IFRS 5 ~~*Non-current Assets Held for Sale and Discontinued Operations*~~, the entity is not required to disclose summarised financial information for that subsidiary, joint venture or associate in accordance with paragraphs B10–B16.

In Appendix C, paragraph C1D is added. New text is underlined.

Effective date and transition

...

C1D [Draft] *Annual Improvements to IFRS 2014–2016 Cycle*, issued in [date], added paragraph 5A and amended paragraph B17. An entity shall apply those amendments for annual periods beginning on or after [date to be inserted after exposure].

Basis for Conclusions on the [draft] amendments to IFRS 12 *Disclosure of Interests in Other Entities*

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

Clarification of the scope of the disclosure requirements

- BC1 The IASB was asked to clarify the scope of this Standard with respect to an entity's interests that are classified as held for sale, as held for distribution to owners or as discontinued operations in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. In the light of the interaction of the disclosure requirements in IFRS 5 and IFRS 12 *Disclosure of Interests in Other Entities*, it appeared to be unclear whether the disclosure requirements of IFRS 12, other than those in paragraphs B10–B16, should apply to interests in other entities that are classified as held for sale, as held for distribution to owners or as discontinued operations.
- BC2 Paragraph 5B of IFRS 5 states that IFRS 5 specifies the disclosure requirements in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also states that the disclosure requirements in other Standards do not apply to such assets unless those other Standards require (a) specific disclosures in respect of such assets or (b) disclosures about the measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5 as discussed in paragraph 5 of IFRS 5. IFRS 12 does not include a reference to IFRS 5 in relation to any specific IFRS 12 disclosure requirements, except in paragraph B17. Paragraph B17 states that the disclosure requirements in paragraphs B10–B16 do not apply to the interests within the scope of IFRS 12 that are classified as held for sale or discontinued operations in accordance with IFRS 5. This exemption makes it unclear whether the disclosure requirements of IFRS 12, other than those in paragraphs B10–B16, apply to such interests.
- BC3 The IASB noted that it was not its intention to exempt an entity from all the disclosure requirements in IFRS 12 with respect to interests in other entities that are classified as held for sale, as held for distribution to owners or as discontinued operations in accordance with IFRS 5.
- BC4 The IASB noted that the disclosure objective of IFRS 12 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. This is because:
- (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, as held for distribution to owners or as discontinued operations.
- BC5 While the IASB noted that in its view this was effectively a correction, it concluded that the clarification of the scope can best be made through an annual improvement. Consequently, the IASB decided to clarify the scope of

IFRS 12 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.

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

Introduction

The following amendment is proposed to IAS 28 *Investments in Associates and Joint Ventures*.

Measuring investees at fair value through profit or loss on an investment-by-investment basis

When an investment in an associate or a joint venture is held by an entity that is a venture capital organisation, or other qualifying entity, it may elect to measure that investment at fair value through profit or loss.

The IASB proposes to amend IAS 28 to clarify that the election is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

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

Paragraphs 18 and 36A are amended and paragraph 45E is added. New text is underlined.

Exemptions from applying the equity method

...

- 18 When an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure investments in those associates and joint ventures at fair value through profit or loss in accordance with IFRS 9. This election is made on an investment-by-investment basis for each investment in an associate or joint venture, upon initial recognition of each investment.

...

Equity method procedures

...

- 36A Notwithstanding the requirement in paragraph 36, if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of (i) on initial recognition of the investment entity associate or joint venture, (ii) when an associate or joint venture becomes an investment entity and (iii) when an investment entity associate or joint venture first becomes a parent.

...

Effective date

...

- 45E [Draft] *Annual Improvements to IFRS 2014–2016 Cycle*, issued in [date], amended paragraphs 18 and 36A. An entity shall apply those amendments for annual periods beginning on or after [date to be inserted after exposure]. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

Basis for Conclusions on the [draft] amendments to IAS 28 *Investments in Associates and Joint Ventures*

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

Measuring investees at fair value through profit or loss on an investment-by-investment basis

- BC1 When an investment in an associate or a joint venture is held by, or is held indirectly through, a venture capital organisation, or a mutual fund, unit trust or similar entities including investment-linked insurance funds, the entity may elect to measure investments in those associates and joint ventures at fair value through profit or loss, in accordance with paragraph 18 of IAS 28 *Investments in Associates and Joint Ventures*.
- BC2 The IASB received a request to clarify whether the 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 instead the accounting treatment should be applied consistently across all its investments.
- BC3 The IASB noted that IAS 28 *Investments in Associates*, issued in 2003, allowed an entity to elect to measure investments in those associates and joint ventures at fair value through profit or loss on an investment-by-investment basis, upon initial recognition. It also noted that it did not specifically discuss changing the accounting treatment when IAS 28 was revised in 2011.
- BC4 The IASB noted from its discussions that the wording of the current Standard could be interpreted as requiring an entity to consistently elect to measure all its investments in those associates and joint ventures at fair value through profit or loss, because:
- (a) consistent application of an accounting policy is required, in accordance with paragraph 13 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, unless other Standards specifically require or permit different treatments; and
 - (b) paragraph 18 of IAS 28 does not specifically require or permit an exception to the consistent application of an accounting policy.
- BC5 Because of the absence of any discussion by the IASB about changing the requirements when this Standard was revised in 2011, the IASB concluded that this change was unintended.
- BC6 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. This election applies individually to each investment in an associate or joint venture that is held directly by the entity, or held indirectly via subsidiaries.
- BC7 In addition, the IASB 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. The IASB noted that paragraph 36A of

IAS 28 permits such a reporting entity the choice to retain the fair value measurements used by that investment entity associate or joint venture when applying the equity method. The IASB proposes to clarify that this choice is also made separately for each investment in an associate or joint venture that is an investment entity, upon initial recognition.

ISBN 978-1-911040-11-8



9 781911 040118 >

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

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