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Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) Cover Note

Objective

- 1 The objective of this session is to discuss an initial draft of, and recommend to the EFRAG Board, a draft endorsement advice on *Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)* ('the Amendments') against the endorsement criteria set in the IAS Regulation.

Background

- 2 On 12 January 2017, the IASB issued Exposure Draft *ED/2017/1 Annual Improvements to IFRS Standards 2015-2017 Cycle* ('the ED').
- 3 The ED addressed the following issues:

Issue	IFRS Standard	Subject of amendment
1	IAS 12 <i>Income Taxes</i>	Income tax consequences of payments on financial instruments classified as equity
2	IAS 23 <i>Borrowing Costs</i>	Borrowing costs eligible for capitalisation
3	IAS 28 <i>Investments in Associates and Joint Ventures</i>	Long-term interests in an associate or joint venture

- 4 EFRAG published its final comment letter on the ED on 19 April 2017. At its May 2017 meeting, the IASB considered comments on the proposed amendments to IAS 28 and decided to finalise them separately from the other issues raised in the ED.
- 5 Agenda paper 05-02 presents EFRAG Secretariat's analysis on how the IASB has addressed the recommendations made by EFRAG in commenting on the proposed changes to IAS 28.
- 6 On 12 October 2017, the IASB published the Amendments.
- 7 The EFRAG Secretariat has prepared an initial draft of a draft endorsement advice of the Amendments on the basis of the views expressed by EFRAG in its final comment letter after considering the extent to which the recommendations made by EFRAG had been addressed (Agenda paper 05-03).

- 8 EFRAG has not yet received a letter from the European Commission requesting advice on the endorsement of the Amendments. The EFRAG Secretariat is seeking the views of EFRAG TEG on the draft documents.
- 9 The EFRAG Secretariat notes that, at its September 2017 meeting, the IASB tentatively decided to finalise, without re-exposing, the following three proposed amendments as part of *Annual Improvements to IFRS Standards 2015–2017 Cycle*:
 - (a) proposed amendments to IAS 12 (see above);
 - (b) proposed amendments to IAS 23 (see above); and
 - (c) Accounting for previously held interests: proposed amendments to IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements*. This was exposed for comment in Exposure Draft ED/2016/1 *Definition of a Business and Accounting for Previously Held Interests*. The IASB has decided to separate the two components of that Exposure Draft and include one component in the forthcoming Annual Improvements standard.
- 10 The *Annual Improvements to IFRS Standards 2015–2017 Cycle* are expected to be published in December 2017.

Questions for EFRAG TEG

- 11 Does EFRAG TEG agree to recommend the draft endorsement advice on the Amendments (Agenda paper 05-03) to the EFRAG Board?
- 12 Does EFRAG TEG agree with the draft invitation to comment (Agenda paper 05-04)?

Agenda Papers

- 13 In addition to this cover note, agenda papers for this session are:
 - (a) Agenda paper 05-02 – Issues paper on IASB proposals and EFRAG's recommendations;
 - (b) Agenda paper 05-03 – draft DEA letter to the EC on the Amendments;
 - (c) Agenda paper 05-04 – Invitation to comment on the draft DEA on the Amendments;
 - (d) Agenda paper 05-05 – IASB publication – for background only; and
 - (e) Agenda paper 05-06 – IASB illustrative example – for background only.