17 March 2017

Ioanna Chatzieffraimidou
EFRAG (IVZW/AISBL)
35 Square de Meeûs
1000 Brussels (fifth floor)
Belgium

Dear Ioanna,

Association of Accounting Technicians response to International Accounting Standards Board exposure draft "Annual Improvements to IFRS 2015-17 Cycle"

I thought you might be interested to know that the Association of Accounting Technicians (AAT) recently responded to the International Accounting Standards Board exposure draft "*Annual Improvements to IFRS 2015-17 Cycle."*

AAT is generally in agreement with the proposed improvements although we do have a couple of concerns that are detailed in our response, which I have attached for your interest.

If you have any queries or require any further information, please do not hesitate to contact our Technical Consultation Manager, Aleem Islan, at consultation@aat.org.uk

Yours sincerely,

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Member of IFAC International Federation of Accountants

Association of Accounting Technicians response to the International Accounting Standards Board exposure draft “Annual Improvements to IFRS 2015-17 Cycle”

Association of Accounting Technicians response to the International Accounting Standards Board exposure draft "Annual Improvements to IFRS 2015-17 Cycle"

1. Introduction

1.1. The Association of Accounting Technicians (AAT) is pleased to have the opportunity to respond to the International Accounting Standards Board exposure draft "Annual Improvements to IFRS 2015-17 Cycle", published in January 2017.

1.2. AAT is submitting this response on behalf of our membership and for the wider public benefit of ensuring that the application of International Financial Reporting Standards results in information that is relevant, reliable and decision-useful being presented in annual financial statements.

1.3. AAT has added comment in order to add value or highlight aspects that need to be considered further.

2. Executive summary

2.1. **AAT is generally in agreement with the proposed improvements but believes that the drafting of one of the proposals, in respect of capitalisation of interest on finance used to obtain a qualifying asset, may require further consideration.** The reasoning for this is explained in paragraph 3.5 below.

2.2. **It is not clear why the amendments to IAS 12 and IAS 23 do not yet have a proposed effective date.** It would be preferable for all the proposed amendments to have the same effective date.

3. AAT response to the exposure draft

3.1. The following paragraphs outline AAT's response to the proposals to amend the standards in the manner described in the exposure draft.

Income tax consequences of payments on financial instruments (IAS 12)

3.2. AAT considers that the proposed amendments to IAS 12 improves the drafting and makes it clearer when the tax consequences of dividends should be recognised in profit or loss and when they should not.

3.3. It is not clear why no effective date has been proposed for this amendment. In the absence of any compelling reason, AAT would suggest the amendment should be effective for accounting periods beginning on or after 1 January 2018.

Borrowing costs eligible for capitalisation (IAS 23)

3.4. AAT considers that the proposed amendment to IAS 23 improves the standard but that there may be room for further clarification.

3.5. The borrowing costs capitalised under IAS 23 in respect of a qualifying asset will comprise the total of any borrowing costs incurred on borrowings made specifically to obtain a qualifying asset until the asset is ready for its intended use or sale, plus any amounts in respect of general borrowings used to obtain a qualifying asset calculated using a capitalisation rate determined in accordance with revised paragraph 14. Although this is implicit in paragraph 14 as redrafted, AAT considers there may be a case for stating this explicitly.

3.6. The drafting does not make it entirely clear that when a qualifying asset is ready for its intended use or sale that any outstanding borrowings made specifically to acquire that asset are treated as part of the funds it has borrowed generally. Again there may be a case for explicitly stating this. Given that capitalisation of borrowing costs must cease when the qualifying asset is ready for its intended use or sale, any further borrowing costs incurred on such funding would not be capable of capitalisation in any event.

3.7. As with the proposed amendment to IAS 12, AAT is not clear as to why no effective date has been proposed for this amendment. In the absence of any compelling reason, AAT would suggest the amendment should be effective for accounting periods beginning on or after 1 January 2018. AAT agrees that prospective application of the amendment is appropriate.

Long-term interests in an associate or joint venture to which the equity method is not applied (IAS 29)

3.8. AAT is in agreement with the proposed amendment and has no comments to make on the drafting.

3.9. AAT agrees with the proposed effective date and that it is sensible for the effective date to be aligned with the effective date of IFRS 9.

4. About AAT

4.1. AAT is a professional accountancy body with approximately 50,000 full and fellow members and over 90,000 student and affiliate members worldwide. Of the full and fellow members, there are over 4,250 licensed accountants who provide accountancy and taxation services to individuals, not-for-profit organisations and the full range of business types.

4.2. AAT is a registered charity whose objectives are to advance public education and promote the study of the practice, theory and techniques of accountancy and the prevention of crime and promotion of the sound administration of the law.

5. Further information

If you have any questions or would like to discuss any of the points in more detail then please contact Aleem Islan, AAT Technical Consultation Manager, at:

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