

IFRS in Focus

IASB proposes to defer effective date of amendment 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'

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This edition of IFRS in Focus outlines the proposed amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* set out in ED/2015/7 *Effective Date of Amendments to IFRS 10 and IAS 28* which was issued in August 2015 for public comment.

The Bottom Line

- The IASB issued an exposure draft that proposes to defer indefinitely the effective date of the narrow-scope amendment 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'.
- Early application of the amendment remains permitted.
- Comments on the proposed amendments are requested by 9 October 2015.

Why are the amendments being proposed?

In September 2014, the IASB issued the narrow-scope amendment 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture: Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*' ('the amendment'). The amendment concerned transactions of entities with an associate or joint venture. It stated that in such transactions, the extent of the gain or loss recognition depends on whether the assets sold or contributed constitute a business.

In February 2015, the IASB was in the final stages of issuing an exposure draft to clarify the amendment in greater detail. This exposure draft also proposed to defer the effective date of the amendment to coincide with the effective date of the clarification. However, the IASB decided not to publish the exposure draft and instead to address the issues in its research project on equity accounting.

What are the proposed amendments?

As it is unknown if and when the research project will result in a revision of IAS 28 and what the effective date of this revision would be, the IASB proposes to defer the effective date of the amendment until a date to be inserted by the IASB. Once the IASB proposes an effective date, this proposed date will be exposed for public comment.

For more information please see the following websites:

www.iasplus.com

www.deloitte.com

Observation

The current effective date of the amendment is 1 January 2016. In order to change the effective date, the proposed deferral would have to be finalised by 31 December 2015. The IASB has therefore received approval from the Due Process Oversight Committee to allow a period of no less than 60 days for comment on these proposals which is significantly shorter than the minimum period of 120 days that is normally granted.

Transition and comment period

As the IASB had permitted early adoption of the amendment, it decided that early application should continue to be allowed to address existing diversity in practice. The Board concluded that early application would not increase diversity.

The IASB requested comments on the proposed deferral of the effective date until 9 October 2015.

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