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Need to know

IASB issues exposure draft: Annual Improvements to IFRSs 2014-2016 Cycle

This edition of Need to know outlines the proposals set out in the recent exposure draft ED/2015/10 *Annual Improvements to IFRSs 2014-2016 Cycle* (the "exposure draft") which was published by the IASB in November 2015 for public comment.

In a nutshell

- The exposure draft proposes amendments to the following Standards:
  - IFRS 1 *First-time Adoption of International Financial Reporting Standards*
  - IFRS 12 *Disclosure of Interests in Other Entities*
  - IAS 28 *Investments in Associates and Joint Ventures*
- The IASB did not propose an effective date for the proposed amendments. However, earlier application is proposed to be permitted.
- Comments on the proposals are due by 17 February 2016.

Why are the amendments being proposed?

The Annual Improvements process provides the IASB with the ability to make necessary, but non-urgent, amendments to IFRSs that address unintended consequences, conflicts or oversights. The publication of the proposals in a single exposure draft is intended to streamline the standard-setting process, providing benefits for both interested parties and the IASB. The exposure draft proposes amendments to three IFRSs that meet the criteria for the IASB's Annual Improvements process.

For more information please see the following websites:

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What are the changes proposed by the amendments?

IFRS	Topic	Proposed amendment
IFRS 1 *First-time Adoption of International Financial Reporting Standards*	Deletion of short-term exemptions for first-time adopters	The proposed amendment would delete the short-term exemptions in paragraphs E3-E7 of IFRS 1, because the relief provided in those exemptions was relevant for reporting periods than have now passed and, as such, has served its intended purpose. The exemptions in these paragraphs allowed first-time adopters the same transition relief as existing IFRS preparers with respect to: • providing certain comparative disclosures about financial instruments, which were required as a result of several amendments to IFRS 7; • providing comparative information for the disclosures required by IAS 19 about the sensitivity of the defined benefit obligation to actuarial assumptions; and • retrospective application of the investment entities requirements of IFRS 10, IFRS 12 and IAS 27. The IASB is also proposing to delete the requirement in paragraph E6 of IFRS 1 to assess whether an entity is an investment entity based on facts and circumstances at the date of transition to IFRSs on the basis that this has the same outcome as requiring the assessment to be made retrospectively.
IFRS 12 *Disclosure of Interests in Other Entities*	Clarification of the scope of the disclosure requirements	The proposed amendment clarifies the scope of IFRS 12 by specifying that the disclosure requirements in the Standard, except for those in paragraphs B10-B16, apply to any interests that are classified as held for sale, held for distribution to owners or discontinued operations in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. This amendment is being proposed because of confusion on the interaction of the disclosure requirements between IFRS 5 and IFRS 12.
IAS 28 *Investments in Associates and Joint Ventures*	Measuring investees at fair value through profit or loss on an investment-by-investment basis	The proposed amendment clarifies that the option for a venture capital organisation or other qualifying entity (such as a mutual fund, unit trust or similar entity) to measure investments in associates and joint ventures at fair value through profit or loss (rather than by applying the equity method of accounting) is made on an *investment-by-investment basis* upon initial recognition of each investment. This amendment was the result of unintended ambiguity arising from a change in wording between the previous and current versions of IAS 28. A similar clarification is proposed for the election available for an entity that is not an investment entity and that has an associate or joint venture that is an investment entity; to retain the fair value measurements used by that investment entity associate or joint venture when applying the equity method. The amendment proposes to clarify that this choice is also available on an investment-by-investment basis, and that this election is made at the later of i) 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.

When would the amendments apply?

The exposure draft does not specify an effective date for the amendments, though, if finalised, earlier adoption is proposed to be permitted.

The comment period ends on 17 February 2016, and the IASB will determine the effective date after considering the comments received on the exposure draft.

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