

STAFF PAPER

July 2015

Project	Sale or contribution of assets between an investor and its associate or joint venture		
Paper topic	Deferral of the effective date of the September 2014 Amendment		
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Introduction and summary of staff recommendations

1. On 24 June 2015, the IASB decided to propose a deferral of the effective date of *Sale or Contribution of Assets between an Investor and its Associates or Joint Venture—Amendments to IFRS 10 and IAS 28*, issued in September 2014 (‘the September 2014 Amendment’).
2. In this paper we ask you whether you agree with two staff recommendations:
 - (a) that the IASB should defer the effective date of the September 2014 Amendment indefinitely.
 - (b) to set a reduced comment period of 60 days for the Exposure Draft.

Background

Recent and proposed changes to IAS 28

3. In the last two years, the IFRS Interpretations Committee and the IASB have considered a number of issues in relation to the transfers of assets between an investor and its associates or joint ventures:

- (a) The September 2014 Amendment to IAS 28 and IFRS 10 made it clear that a full gain is recognised when a transfer to an associate or a joint venture involves a business, and a partial gain or loss is recognised if the asset transferred does not contain a business. The gain or loss that is not recognised is eliminated against the cost of the investment.
- (b) At its February 2015 meeting, the IASB gave the staff permission to begin balloting a further narrow-scope amendment ('the February 2015 Pre-ballot') that would clarify in greater detail some matters linked to the September 2014 Amendment.
- (c) Because of that linkage, the February 2015 Pre-ballot also included a proposal to defer the effective date of the September 2014 Amendment until the effective date of the February 2015 Pre-ballot.

June 2015 meeting of the IASB

- 4. At its June 2015 meeting, the IASB decided that the issues addressed in the February 2015 Pre-ballot should instead be addressed as part of the research project on equity accounting, and will not be progressed separately. At that meeting the IASB also decided to propose a deferral of the effective date of the September 2014 Amendment in order to avoid requiring two successive rounds of changes in a short period of time.

Due process

- 5. The February 2015 Pre-ballot, including the proposal to defer the effective date of the September 2014 Amendment, was approved for publication at the February 2015 meeting of the IASB. That Agenda Paper is available on our website:
<http://www.ifrs.org/Meetings/MeetingDocs/IASB/2015/February/AP12B-IFRS%20IC.pdf>
- 6. The proposals in the February 2015 Pre-ballot to defer the effective date of the September 2014 Amendment require revision in two respects:
 - (a) the period by which the September 2014 Amendment is deferred; and
 - (b) the comment period of the ED.

Period by which the September 2014 amendment is deferred

7. In the February 2015 Pre-ballot the IASB originally proposed that the effective date of the September 2014 amendment should be deferred until the effective date of the amendments that result from the February 2015 Pre-ballot. We think it is now the IASB’s intention to defer the effective date of the September 2014 Amendment until the effective date of any amendments to IAS 28 that may arise from the research project on equity accounting.
8. There are two ways in which this could be done:
 - (a) We could insert a date that we think would be later than the effective date of any amendments that might arise from the research project on equity accounting. The research project is at a preliminary stage, however, and we do not think that it is possible to identify that date with any certainty at this stage.
 - (b) We could propose that the effective date is deferred indefinitely. We think that this would be simpler and provide stakeholders with greater certainty.
9. Consequently, the staff recommend that the effective date of the September 2014 Amendment to IFRS 10 and IAS 28 is deferred for an indefinite period.
10. Early application of the September 2014 Amendment is permitted. We do not propose changing the September 2014 Amendment in that respect.

Question 1: Effective date of the September 2014 Amendment

Does the IASB agree with the staff recommendation to defer the effective date of the September 2014 Amendment to IFRS 10 and IAS 28 indefinitely? Early application of that amendment would continue to be permitted. Entities that have already applied the September 2014 Amendment could continue to apply that amendment.

Comment period of Exposure Draft

21. The *Due Process Handbook* states the following:

6.7 The IASB normally allows a minimum period of 120 days for comment on an Exposure Draft. If the matter is narrow

in scope and urgent the IASB may consider a comment period of no less than 30 days, but it will only set a period of less than 120 days after consulting, and obtaining approval from, the DPOC [Due Process Oversight Committee]

22. An Exposure Draft proposing only to defer the effective date of the 2014 Amendment to IFRS 10 and IAS 28 would be narrow in scope. In addition, the document would be short (about four pages, excluding the cover and copyright page).
23. We also think that the Exposure Draft is urgent if we are to finalise the deferral before the effective date of the September 2014 Amendment, ie before 1 January 2016. In order to achieve this, the following timetable would be required:

Milestone	Date
Publication of ED	late July
End of comment period	late September
IASB discuss comment letter analysis	November meeting
IASB grant permission to publish	November meeting
Publication	Mid-December

24. We are conscious of the fact that the comment period would include August, but given the urgency we attach to the issue and the very narrow scope of the Exposure Draft, the staff recommend a comment period of 60 days. The staff referred this matter to the DPOC on 1July and it approved a comment period of 60 days.

Question 2: Comment period of exposure draft on the effective date

Does the IASB agree to issue the narrow-scope Exposure Draft with a comment period of 60 days?