Annual improvements to IFRSs 2014-2016 Cycle (ED/2015/11)

Request for views issued by the IASB in November 2015

Comments from ACCA
9 February 2016

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Further information about ACCA's comments on the matters discussed here may be obtained from the following:

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ACCA welcomes the opportunity to provide views in response to the request from the International Accounting Standards Board.

MAIN COMMENTS

ACCA supports the IASB's *Annual Improvements to IFRSs 2014 – 2016 Cycle*, including the proposed amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards,* IFRS 12 *Disclosure of Interests in Other Entities*, and IAS 28 *Investments in Associates and Joint Ventures*.

We set out our detailed comments below.

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SPECIFIC COMMENTS ON QUESTIONS RAISED

Q1. Proposed amendment

Do you agree with the IASB's proposal to amend the Standards as described in the Exposure Draft?

If not, why and what alternative to you propose?

- IFRS 1 *First-time Adoption of International Financial Reporting Standards*

  We agree with the proposed amendments to this Standard.

  We note that the paragraph BC1(c) of the Basis for Conclusions on the draft amendments refers to the relief provided in paragraph 44AA of IFRS 7 not being applicable for financial statements prepared for annual periods ending on or after 31 December 2017. However, paragraph 44AA of IFRS 7 refers to annual periods beginning on or after 1 January 2016. We would ask the IASB to ensure the cut-off date of the relief is consistently defined, especially for entities which have reporting periods of less than twelve months during the period between 1 January 2016 and 31 December 2017.

- IFRS 12 *Disclosure of Interests in Other Entities*

  We broadly agree with the proposed amendments to this Standard. The IASB's rationale for the explicit inclusion of interests held for sale, held for distribution to owners and discontinued operations within the scope of IFRS 12 is convincing.

  However, we observe that there are areas of inconsistency and duplication, both within IFRS 12 itself and between IFRS 12 and IFRS 5. Examples of these include:
    - IFRS 12 paragraph 10(b)(iii): An entity shall disclose information that enables users of its consolidated financial statements to evaluate the consequences of changes in its ownership interest in a subsidiary that do not result in a loss of control. This

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requirement seems irrelevant for an entity's interests which have been classified as held for sale.

- IFRS 12 paragraph B16(b): An entity shall also disclose separately the aggregate amount of its share of those joint ventures' or associates' post-tax profit or loss from discontinued operations. This requirement is made redundant by the inclusion of discontinued operations within the general scope of IFRS 12. At the same time, the existing requirement in this paragraph begs the question whether the separate disclosure of pre-tax profit or loss is considered useful for the users of the financial statements.
- IFRS 12 paragraph 19: The disclosure requirements in respect of the consequences of losing control of a subsidiary during the reporting period appears to overlap with the requirements of IFRS 5 paragraph 41(c), without exactly duplicating them. Such overlap of requirements between two accounting standards is unhelpful, and liable to result in divergence in practice.

We would recommend the IASB to carefully consider the above, and other areas of potential duplication and inconsistency in IFRS 12 and IFRS 5.

- IAS 28 *Investments in Associates and Joint Ventures*

We broadly agree with the proposed amendments to IAS 28.

However, we note that no disclosure requirements have been introduced in respect of the election to measure investments in associates and joint ventures at fair value through profit or loss. The application of two different measurement methods to investments without disclosure could affect the understandability and comparability of the financial statements.

We would recommend the IASB to consider requiring specific disclosure of the investments measured at fair value through profit or loss, where the election has been made.

Q2. Transition provisions

Do you agree with the proposed transition provisions as described in the Exposure Draft?

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If not, why and what alternative do you propose?

We agree with the proposed transition provisions with regards to all three amended standards.

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