

STAFF PAPER

November 2016

IASB Meeting

Project	IFRS 9 <i>Financial Instruments</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> —Long-term interests		
Paper topic	Due process steps		
CONTACT(S)	Takashi Yamagami	tyamagami@ifrs.org	+44 (0)20 7246 6937

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Introduction

1. At its meeting in October 2016, the International Accounting Standards Board (the Board) tentatively decided to include proposed amendments to IAS 28 *Investments in Associates and Joint Ventures* in the Exposure Draft *Annual Improvements to IFRS Standards 2015–2017 Cycle* (the Exposure Draft).¹ The proposed amendments clarify that an entity applies IFRS 9 *Financial Instruments*, in addition to IAS 28, to long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint venture, but to which the equity method is not applied (long-term interests).
2. The objective of this paper is to:
 - (a) ask Board members whether they agree with the proposed comment period of no less than 90 days;
 - (b) ask Board members whether they intend to dissent from the proposed amendments to IAS 28;
 - (c) explain the steps in the [IFRS Foundation Due Process Handbook](#) (the *Due Process Handbook*) that the Board has taken in developing the

¹ The Exposure Draft also includes the following proposed amendments. The Board discussed the due process steps relating to these proposed amendments at its meeting in July 2016 ([Agenda Paper 12G](#)):

- (a) IAS 12 *Income Taxes*—presentation of the income tax consequences of payments on financial instruments classified as equity; and
- (b) IAS 23 *Borrowing Costs*—borrowing costs on completed qualifying assets.

proposed amendments (see **Appendix A**), and ask the Board to confirm that it has complied with the due process requirements; and

- (d) seek the Board's permission to prepare the Exposure Draft for balloting.

Summary of the proposed amendments

3. The Board tentatively decided to propose amending IAS 28 to clarify that all of the requirements in IFRS 9, including the impairment requirements, apply to long-term interests in an associate or joint venture.
4. The Board also tentatively decided to:
 - (a) require retrospective application of the proposed amendments.
However, if an entity does not restate comparative information on initial application of IFRS 9, it is not required to restate comparative information when it first applies the proposed amendments, but may choose to do so to reflect the application of IAS 39 in the comparative period.
 - (b) require retrospective application of the proposed amendments for insurers electing to apply the temporary exemption from IFRS 9, but permit those entities not to restate comparative information.
 - (c) allow first-time adopters, whose first IFRS reporting period begins before 1 January 2019 and that do not restate comparative information to reflect IFRS 9 in their first IFRS financial statements, to choose not to restate comparative information to reflect the proposed amendments.
5. The Board also tentatively decided to propose an effective date of 1 January 2018, with earlier application permitted.

Comment period

6. Paragraph 6.15 of the *Due Process Handbook* says that the Board 'normally allows a minimum period of 90 days for comment on Annual Improvements'.

7. At its meeting in July 2016, the Board tentatively decided to publish the Exposure Draft with a comment period of no less than 90 days.
8. However, in the light of the proposed effective date of 1 January 2018 for the proposed amendments to IAS 28, it was suggested at the October Board meeting that we consider whether to shorten the comment period, to for example 60 days. A comment period shorter than 90 days would mean that the Board would publish the proposed amendments to IAS 28 in a document separate from the Exposure Draft (ie as a narrow-scope amendment).
9. The *Due Process Handbook* states the following regarding the comment period of 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].
10. The proposed amendments to IAS 28 are narrow in scope—they address only long-term interests and do not change existing requirements in IFRS Standards; instead they clarify those requirements. The issue is also of some urgency because of the benefits of applying the proposed amendments at the same time as an entity first applies IFRS 9.
11. Nonetheless, we recommend including the proposed amendments to IAS 28 within the Exposure Draft, with a comment period of no less than 90 days for the following reasons:
 - (a) As discussed at the October 2016 Board meeting, the proposed amendments to IAS 28 meet the criteria to be an Annual Improvement.
 - (b) A comment period of 90 days is shorter than what is normally required for amendments to Standards (other than Annual Improvements), which is 120 days.
 - (c) We expect to publish the proposed amendments for comment around the end of the year. We think that a comment period of 60 days might not provide stakeholders with sufficient time to comment, considering

that the comment period may cover a busy period for some stakeholders (eg preparers with a 31 December year-end).

12. Consequently, we recommend a comment period of no less than 90 days. We envisage that this still means that the final amendments could be published in the third or fourth quarter of 2017.

Intention to dissent

13. In accordance with paragraph 6.9 of the *Due Process Handbook*, we are formally asking whether any Board member intends to dissent from the proposed amendments to IAS 28.

Proposed timetable for balloting and publication

14. We expect to ballot the Exposure Draft in November 2016. We expect the Exposure Draft to be ready for publication in December 2016 or early January 2017.

Confirmation of due process steps

15. In **Appendix A** to this paper, we have summarised the due process steps taken in developing the proposed amendments to IAS 28. We note that the required due process steps applicable for the publication of the Exposure Draft have been completed.

Questions for the Board

1. **Comment period**—does the Board agree with our recommendation to have a comment period of no less than 90 days for the Exposure Draft of proposed amendments to IAS 28?
2. **Dissent**—does any Board member intend to dissent from the proposed amendments to IAS 28 to be included in the Exposure Draft?
3. **Permission to ballot**—is the Board satisfied that it has complied with all due process steps required and, thus, do we have permission to prepare the Exposure Draft for balloting?

Appendix A—Actions taken to meet the due process requirements— development and publication of Annual Improvements Exposure Draft

<i>Step</i>	<i>Required/ optional</i>	<i>Metrics or evidence</i>	<i>Actions</i>
Board and Interpretations Committee meetings held in public, with papers being available for observers. All decisions are made in a public session.	Required	Meetings held. Project website contains a full description with up-to-date information. Meeting papers posted in a timely fashion.	The Board discussed and approved the issue for inclusion in the 2015–2017 cycle of the Annual Improvements process at its October 2016 meeting. The project webpage has up-to-date information.
Finalisation			
Due process steps reviewed by the Board.	Required	Summary of all the due process steps have been discussed by the Board before an Exposure Draft is published.	This step will be met by this Agenda Paper.
Check is performed to ensure that each amendment included in the package meets the Annual Improvements criteria.	Required		We prepared an assessment against the annual improvements criteria for the amendments included in the Exposure Draft. This assessment was included in Agenda Paper 12B for the October 2016 Board meeting.
The Exposure Draft has an appropriate comment period.	Required		To be discussed by the Board at this meeting. We recommend a comment period of no less than 90 days. See paragraphs 6–12 of this agenda paper.
Drafting			
Drafting quality assurance steps are adequate.	Required	Translations and XBRL teams have been included in the review process. External reviewers have reviewed drafts for editorial review and the comments have been collected and considered by the Board.	The translations, XBRL and editorial teams will review drafts during the balloting process. The Interpretations Committee members and observers will perform an editorial review of the pre-ballot draft. The pre-ballot draft will be made available to members of the International Forum of Accounting Standard Setters (IFASS).
Publication			
Exposure Draft published.	Required	Exposure Draft posted on the IASB website.	The Exposure Draft will be made available on our website when published.
Press release to announce publication of the Annual Improvements Exposure Draft.	Required	Press release published.	A press release will be published with the Exposure Draft.