

## **TEXT OF E-MAIL FROM HENRY REES TO DUE PROCESS OVERSIGHT COMMITTEE (DPOC)**

**Date: 10 March 2014**

Dear DPOC Members,

### **March 2014 IASB meeting**

The IASB's March 2014 meeting takes place later this week and will continue as a joint meeting with the FASB in Norwalk next week. The purpose of this email is to bring to your attention the items on the IASB's agenda that are relevant to the DPOC.

### **Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Paper 12E)**

Paper 12E (attached) includes a recommendation to clarify paragraph 31 of IAS 28 so that when, in an exchange transaction with an associate or joint venture, an entity receives other assets in addition to an equity interest in the associate or a joint venture, the entity recognises the portion of the gain or loss relating to the assets received only to the extent of unrelated investors' interests in the associate or joint venture.

The paper also recommends including the above clarification with the forthcoming amendments to IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, which were published as an ED in December 2012. The IASB reviewed the due process steps in relation to these amendments in November 2013. It is proposed to include the clarification as part of the amendments because the matter was raised by respondents in comment letters on the December 2012 Exposure Draft (ED).

The Interpretations Committee (IFRS IC) reviewed the matter in January 2014 and recommended to the IASB that it should delete paragraph 31 of IAS 28. The IASB considered this recommendation in February 2014 and asked the staff to undertake further investigation into the history of paragraph 31 of IAS 28. Having undertaken the work requested, the staff are now recommending an amendment of paragraph 31 of IAS 28 to clarify the appropriate amount of the gain or loss on the exchange transaction to be recognised.

### **Equity Method: Share of Other Net Asset Changes (Paper 12F)**

Paper 12F (attached) asks the IASB to confirm it is satisfied that all due process steps applicable for these amendments to IAS 28 have been complied with. It also proposes an effective date of 1 July 2015 and asks if any members intend to dissent.

In November 2012 the IASB published an ED containing proposed amendments to IAS 28 *Equity Method: Share of Other Net Asset Changes*. Many respondents pushed back the proposals for a variety of reasons. In July 2013 the IFRS IC recommended an alternative solution to the IASB. The IASB considered the IFRS IC recommendation at its meeting in October 2013 and considered possible alternative ways to proceed with the ED. The IASB then asked the staff to consider any unintended consequences from the proposals in its original ED. At its February 2014 meeting, the IASB considered the staff's analysis of the application of the proposals in the ED to some specific fact patterns. The IASB was satisfied that the staff's analysis of the proposed amendments did not reveal any unintended consequences. The IASB considered that the solution was a pragmatic one and tentatively decided to proceed with the finalisation of the amendment. In summary, the amendment

requires the investor's share of the investee's net asset changes, other than profit or loss or other comprehensive income and distributions received, to be recognised in the investor's equity.

The issue was also raised at the March 2014 meeting of the Accounting Standards Advisory Forum (ASAF), in which a number of members raised a question regarding the IASB's decision to proceed. The IASB acknowledges that its view is not shared by all, but considers that its solution is a pragmatic one.

#### **Accounting for Acquisitions of Interests in Joint Operations (Paper 12G)**

This paper (attached) asks for the IASB to revise its tentative decision in November 2013 and postpone the effective date of the amendment to IFRS 11 *Joint Arrangements* from 1 January 2015 to 1 July 2015, because of delays caused by two sweep issues being identified in the finalisation procedures.