

Report to the Due Process Oversight Committee—July 2016

TEXT OF E-MAIL FROM MICHELLE SANSOM TO DUE PROCESS OVERSIGHT COMMITTEE (DPOC)

Date: 11 July 2016

Report to the Due Process Oversight Committee—July 2016

The International Accounting Standards Board ('Board') will hold its next meeting the week commencing 18 July 2016. There are three due process papers to be brought to the attention of the DPOC:

- Agenda paper 12B – Narrow-scope amendment: IAS 40 Investment Property—transfers of investment property.
- Agenda paper 12F – Exposure Draft—Annual Improvements to IFRSs 2014–2016 Cycle.
- Agenda paper 12G – Annual Improvements to IFRS 2015-2017 Cycle.

Copies of the agenda papers are attached to this email.

Agenda paper 12B – Narrow-scope amendment: IAS 40 *Investment Property*

The Board published an exposure draft of narrow-scope amendments to IAS 40 *Investment Property* in November 2015, following a recommendation from the IFRS Interpretations Committee. The exposure draft closed for comment on 18 March 2016 and 57 comment letters were received.

The Interpretations Committee discussed the comments received at its meeting in May 2016. Overall respondents support the proposals set out in the exposure draft. Consequently, no substantive changes have been made to the proposals.

Agenda paper 12B:

1. recommends not to re-expose the amendments to IAS 40.
2. proposes an effective date of 1 January 2018, with earlier application permitted.
3. asks if any Board member intends to dissent to the issuance of the amendments.
4. requests the Board's permission to start the balloting process subject to it being satisfied that the due process requirements have been met and that it has undertaken sufficient consultation and analysis.

A summary of the due process steps is set out in Appendix A of Agenda paper 12B.

Agenda paper 12F – Annual Improvements 2014-2016 Cycle.

The IASB has adopted the Annual Improvements process to deal efficiently with a collection of narrow-scope amendments to IFRS Standards even though the amendments are unrelated.

The Board published an exposure draft of three proposed amendments:

1. IFRS 1 *First-time Adoption of International Financial Reporting Standards*:—Deletion of short-term exemptions for first-time adopters.

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2. IFRS 12 *Disclosure of Interests in other Entities*:—Clarifications of the scope of the disclosure requirements in IFRS 12.
3. IAS 28 *Investments in Associates and Joint Ventures*:—Measuring associates and joint ventures at fair value through profit or loss on an investment-by-investment basis.

The exposure draft was published in November 2015, following a recommendation from the IFRS Interpretations Committee. The exposure draft closed for comment on 17 February 2016 and 50 comment letters were received.

Overall respondents support the proposals set out in the exposure draft. Consequently, no substantive changes have been made to the proposals.

Agenda paper 12F:

1. recommends not to re-expose the amendments within the Annual Improvements 2014-2016 Cycle.
2. proposes an effective date of:
 - a. 1 January 2018 for the amendments to IFRS 1 and IAS 28, with earlier application permitted, and
 - b. 1 January 2017 for the amendments to IFRS 12 (which will still give entities more than a year to prepare for implementation).
3. asks if any Board member intends to dissent to the issuance of the Annual Improvements 2014-2016 Cycle.
4. requests the Board's permission to start the balloting process subject to it being satisfied that the due process requirements have been met and that it has undertaken sufficient consultation and analysis.

A summary of the due process steps is set out in Appendix B of Agenda paper 12F.

Agenda paper 12G – Annual Improvements to IFRS 2015-2017 Cycle.

The Board has tentatively decided to include two proposed amendments in the Exposure Draft Annual Improvements to IFRS 2015–2017 Cycle ('Exposure Draft'). The proposed amendments are:

1. IAS 12 *Income Taxes*:—Clarification of the presentation requirements for the income tax consequences of payments on financial instruments classified as equity.
2. IAS 23 *Borrowing Costs*:—Clarification of whether an entity transfers specific borrowings to the general borrowings pool once the construction of a qualifying asset is complete.

Agenda paper 12G:

1. recommends that the Exposure Draft be published with a comment period of no less than 90 days.
2. asks if any Board member intends to dissent to the publication of the Exposure Draft.

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3. requests the Board's permission to start the balloting process subject to it being satisfied that the due process requirements applicable for the publication of the Exposure Draft have been completed.

A summary of the due process steps is set out in Appendix A of Agenda paper 12G.

This report is primarily for information and to provide the DPOC with assurance that the IASB is reviewing the due process steps and fulfilling the requirements of the *Due Process Handbook* as these projects progress.

If you have any questions please do not hesitate to contact me.