



Project **Annual Improvement**

Topic **Amendments to IFRS3 and IAS27 - Consequential Amendments**

Proposed amendments

1. IFRS 3 and IAS 27 (as issued in 2008) made various consequential amendments to other standards. The Board has received requests to amend the transition guidance for some consequential amendments from retrospective to prospective application.

Issue: Should the consequential amendments from phase II of the business combinations project be applied prospectively or retrospectively?

Staff recommendation

2. The staff recommends that the Board should:
 - (a) add this issue to the annual improvements project; and
 - (b) propose amending the transition guidance for the consequential amendments listed in Appendix A from retrospective to prospective application.

Background

3. IFRS 3 and IAS 27 (as issued in 2008) resulted in various consequential amendments to other standards. Some of the consequential amendments include transitional guidance and specify whether the amendments should be applied prospectively or retrospectively. However, other consequential amendments are silent on the transition issue. For consequential amendments that do not provide specific transition guidance, IAS 8.19 requires retrospective application of the amendments.

This paper has been prepared by the technical staff of the IASCF for discussion at a public meeting of the IASB.

The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the IASB.

Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRIC or the IASB can make such a determination.

The tentative decisions made by the IASB at its public meetings are reported in IASB *Update*. Official pronouncements of the IASB, including Discussion Papers, Exposure Drafts, IFRSs and Interpretations are published only after it has completed its full due process, including appropriate public consultation and formal voting procedures.

4. With limited exceptions IFRS 3 and IAS 27 require prospective application. Therefore, constituents believe that most consequential amendments should be applied prospectively. Constituents are also concerned that retrospective application of some of the consequential amendments might either be difficult to implement or even be impracticable.

Staff Analysis

5. The staff has reviewed the consequential amendments from IFRS 3 and IAS 27 (as issued in 2008) and noted that the Board intended those consequential amendments that currently do not contain specific transition guidance to be applied prospectively. We believe that the lack of specific transition guidance to require prospective application of the consequential amendments was an editorial oversight. Therefore, we recommend that the Board propose amending the effective date paragraphs of the consequential amendments listed in Appendix A to require prospective application.

Question to the Board
Does the Board agree to propose requiring prospective application of the consequential amendments listed in Appendix A?
Does the Board have any comments on the proposed wording in Appendix A?

Appendix A

Drafting of proposed amendments to the transition requirements of the consequential amendments

IAS 12 *Income Taxes*

- A1. IAS 12 is amended as described below (new text is underlined and deleted text is struck through).

In the rubric, the first sentence is amended as follows.

International Accounting Standard 12 *Income Taxes* (IAS 12) is set out in paragraphs 1 – ~~95~~ 96.

Paragraph 95 is amended. Paragraph 96 is added.

- 95 IFRS 3 (as revised in 2008) amended paragraphs 21 and 67 and added paragraphs 32A and 81(j) and (k). An entity shall apply those amendments prospectively for annual periods beginning on or after 1 July 2009. If an entity applies IFRS 3 (revised 2008) for an earlier period, the amendments shall also be applied for that earlier period.
- 96 Paragraph 95 was amended by *Improvements to IFRSs* issued in [date]. An entity shall apply that amendment for annual periods beginning on or after 1 July 2010. Earlier application is permitted. If an entity applies this amendment before 1 July 2010 it shall disclose that fact.

IAS 21 *The Effects of Changes in Foreign Exchange Rates*

- A2. In IAS 21 paragraph 60B is amended (new text is underlined). Paragraph 60C is added.

- 60B IAS 27 (as amended in 2008) added paragraphs 48A–48D and amended paragraph 49. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 July 2009. If an entity applies IAS 27 (amended 2008) for an earlier period, the amendments shall be applied for that earlier period.
- 60C Paragraph 60B was amended by *Improvements to IFRSs* issued in [date]. An entity shall apply that amendment for annual periods beginning on or after 1 July 2010. Earlier application is permitted. If an entity applies this amendment before 1 July 2010 it shall disclose that fact.

IAS 28 Investments in Associates

A3. In IAS 28 paragraph 41B is amended (new text is underlined and deleted text is struck through). Paragraph 41D is added.

41B IAS 27 (as amended in 2008) amended paragraphs 18, 19 and 35 and added paragraph 19A. An entity shall apply the amendment to paragraph 35 retrospectively and the ~~those~~ amendments to paragraphs 18, 19 and 19A prospectively for annual periods beginning on or after 1 July 2009. If an entity applies IAS 27 (amended 2008) for an earlier period, the amendments shall be applied for that earlier period.

41D Paragraph 41B was amended by *Improvements to IFRSs* issued in [date]. An entity shall apply that amendment for annual periods beginning on or after 1 July 2010. Earlier application is permitted. If an entity applies this amendment before 1 July 2010 it shall disclose that fact.

IAS 31 Interests in Joint Ventures

A4. In IAS 31 paragraph 58A is amended (new text is underlined and deleted text is struck through). Paragraph 58C is added.

58A IAS 27 (as amended in 2008) amended paragraphs 45 and 46 and added paragraphs 45A and 45B. An entity shall apply the amendment to paragraph 46 retrospectively and the ~~these~~ amendments to paragraphs 45, 45A and 45B prospectively for annual periods beginning on or after 1 July 2009. If an entity applies IAS 27 (amended 2008) for an earlier period, the amendments shall be applied for that earlier period.

58C Paragraph 58A was amended by *Improvements to IFRSs* issued in [date]. An entity shall apply that amendment for annual periods beginning on or after 1 July 2010. Earlier application is permitted. If an entity applies this amendment before 1 July 2010 it shall disclose that fact.

IAS 36 *Impairment of Assets*

A5. In IAS 36 paragraph 140B is amended (new text is underlined). Paragraph 140E is added.

140B IFRS 3 (as revised in 2008) amended paragraphs 65, 81, 85 and 139, deleted paragraphs 91–95 and 138 and added Appendix C. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 July 2009. If an entity applies IFRS 3 (revised 2008) for an earlier period, the amendments shall also be applied for that earlier period.

140E Paragraph 140B was amended by *Improvements to IFRSs* issued in [date]. An entity shall apply that amendment for annual periods beginning on or after 1 July 2010. Earlier application is permitted. If an entity applies this amendment before 1 July 2010 it shall disclose that fact.

IFRS 3 *Business Combinations* Basis for Conclusions

A6. IFRS 3 paragraphs BC440 and BC 441 are added as follows:

This Basis for Conclusions accompanies, but is not part of, the proposed amendments.

BC440 In phase II of its project on business combinations, the Board amended other standards. Some of those amendments contain transitional guidance and specify whether the amendments should be applied prospectively or retrospectively. However, other amendments are silent on transition. IAS 8.19 requires retrospective application for amendments that do not provide specific transition guidance .

BC441 The Board noted that retrospective application of some amendments might be difficult to implement or even be impracticable. Therefore, the Board proposes amending the effective date paragraphs of those amendments to require prospective application. The Board does not believe that the proposed amendments will affect the convergence of IFRS 3 *Business Combinations* and SFAS 141(R) *Business Combinations*.

Note – The amendments to IFRS 7 and IAS 32 are included in the agenda paper 13C – Pre-adoption Contingent Consideration