STAFF PAPER

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IASB Meeting

Project	**Annual Improvements (2013-2015 cycle)**
Paper topic	IFRS 1 First-time Adoption of International Financial Reporting Standards—Short-term exemptions from IFRSs

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Introduction

1. In October 2013, the IASB tentatively decided to propose an amendment to IFRS 7 *Financial Instruments: Disclosures* through the Annual Improvement (2012-2014 Cycle) to clarify how an entity should decide whether servicing rights and obligations are continuing involvement for the purposes of the disclosure requirements in paragraphs 42A-42H of IFRS 7[1].

2. The proposed improvement includes a proposed amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards* as a consequential amendment arising from the amendment to IFRS 7. The proposed amendment would add paragraph E4A to Appendix E of IFRS 1—"Short-term exemptions from IFRSs", to provide first-time adopters with a short-term exemption from applying the clarification of the disclosure requirements in IFRS 7 to comparative periods presented in its first IFRS financial statements. This is intended to permit first-time adopters to use the same transition relief as that provided for existing preparers of IFRS financial statements.

3. Developing the short-term exemption above prompted us to review other short-term exemptions that had existed over the last four years. Those short-term exemptions are intended to be available only for a limited period of time. This led us to think about whether the short-term exemptions in Appendix E of IFRS 1

[1] http://www.ifrs.org/Meetings/MeetingDocs/IASB/2013/October/AP15-Annual%20Improvements%202012-2014%20cycle.pdf

have now served their purposes and should now be deleted. Because the deletion of a short-term exemption is a change to IFRS, such a deletion needs to be exposed, notwithstanding the fact that the IASB decided at the time of adding the exemption that it should be short-term.

4. Accordingly, we ask the IASB to assess whether it should propose to delete existing short-term exemptions in Appendix E of IFRS 1 as well as the short-term exemption that was proposed to add in the Annual Improvement (2012-2014 Cycle), and if so, the timing of the proposed deletion.

Staff analysis on each short-term exemption

5. In the following paragraphs, we analyse the background and effects of each short-term exemption for first-time adopters from applying IFRSs. For the full text of the short-term exemptions and transition requirements in other IFRSs that are referred to by the short-term exemptions, please refer to **Appendix A** to this Agenda Paper.

6. We currently expect that the final amendment from *Annual Improvements to IFRSs (2013-2015 Cycle)* will be issued in the second half of 2015. Accordingly, for the purpose of the discussions in this Agenda Paper, we assume that the effective date of the annual improvements will be for annual periods beginning on or after 1 July 2016, to ensure that each jurisdiction is given enough time to complete appropriate endorsement and legislative procedures.

Exemption from applying IFRS 9 to comparative periods (paragraphs E1 and E2)

7. Paragraphs E1 and E2 of IFRS 1 provide a relief for a first-time adopter that adopts IFRSs for annual periods beginning before 1 January 2012 and that applies IFRS 9 *Financial Instruments* in its first IFRS financial statements. Such first-time adopters need not apply IFRS 7 or IFRS 9 to comparative periods to the extent that the disclosures required by IFRS 7 relate to items within the scope of IFRS 9.

8. We note that the IASB tentatively decided in the Impairment project and in the Classification and Measurement project related to IFRS 9 that it will reconsider

the transition requirements for first-time adopters. In particular, the Exposure Draft: *Classification and Measurement: Limited amendments to IFRS 9* (Proposed amendments to IFRS 9 (2010)) states that it will reconsider the transition to IFRS 9 for first-time adopters once the redeliberations of the proposed limited amendments to IFRS 9 and the Impairment project have progressed sufficiently to ensure that first-time adopters of IFRS are given adequate lead time to apply IFRS 9 and not at a disadvantage in comparison to existing preparers (paragraph BC113 of the Exposure Draft).

9. Accordingly, we think that the short-term exemptions in paragraphs E1 and E2 should be analysed in the projects related to IFRS 9 as part of the assessment on the transition requirements for the new IFRS 9 and not as part of this assessment. The staff of the IFRS 9 projects will bring the analysis to a future meeting of the IASB.

Exemption from applying the amendment to IFRS 7, as issued in March 2009, to comparative periods (paragraph E3)

10. Paragraph 44G of IFRS 7 provides existing IFRS preparers with a transition relief whereby they need not apply to any comparative periods within an annual period ending before 31 December 2009 the enhanced disclosure requirements required by *Improving Disclosures about Financial Instruments* (Amendment to IFRS 7). The amendment to IFRS 7 was issued in March 2009 and effective for annual periods beginning on or after 1 January 2009. We understand that the primary purpose of the transition relief was to avoid the potential use of hindsight given the timing of the issue of the enhanced disclosure requirements and the effective date of the requirements.

11. The exemption in paragraph E3 of IFRS 1 was added by *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* (Amendment to IFRS 1), issued in January 2010. This exemption provides first-time adopters with the same relief as that provided for existing IFRS preparers to achieve the same purpose as that of the relief for existing IFRS preparers. Paragraph 21 of IFRS 1 requires that the first IFRS financial statements should include at least three statements of financial position including an opening IFRS statement of financial position as at the transition date. Hence, unless comparative information is

presented beyond the minimum requirements in IFRS 1, the exemption is no longer relevant for first-time adopters that adopt IFRSs in annual periods ending on or after 31 December 2010 (ie beginning on or after 1 January 2010). This is because the opening IFRS statement of financial position in such first IFRS financial statements would be as of the date on or after 1 January 2009. In that case, any period for comparative information presented would fall out of the exemption period.

12. Because of the factors discussed above and the expected timing of the issue of *Annual Improvements to IFRSs (2013-2015 Cycle)*, we think that the exemption in paragraph E3 of IFRS 1 should be deleted with this deletion being effective for annual periods beginning on or after 1 July 2016.

Exemption from applying the amendment to IFRS 7, as issued in October 2010 to comparative periods (paragraph E4)

13. Paragraph 44M of IFRS 7 provides existing IFRS preparers with a transition relief whereby they need not apply to any comparative periods the disclosure requirements added by required by *Disclosures—Transfers of Financial Assets* (Amendments to IFRS 7), issued in October 2010 and effective for annual periods beginning on or after 1 July 2011. Existing IFRS preparers that applied this transition relief were not required to apply the amendments to IFRS 7 to any comparative period that began before the beginning of an annual period beginning on or after 1 July 2011. We understand that the primary purpose of the transition relief was to avoid the potential use of hindsight given the timing of the issue of the enhanced disclosure requirements and the effective date of the requirements.

14. The short-term exemption in paragraph E4 was also added by the amendment for the same purpose as that of the transition relief for existing IFRS preparers.

15. Because of the minimum requirements in IFRS 1 for presentation of comparative information, the exemption will no longer be relevant for first-time adopters that adopt IFRSs in annual periods ending on or after 30 June 2013 (beginning on or after 1 July 2012) for the same reason as described in paragraph 11.

16. Accordingly, we think that the exemption in paragraph E4 of IFRS 1 should be deleted with this deletion being effective for annual periods beginning on or after 1 July 2016.

Exemption from applying the proposed amendment to IFRS 7 to comparative periods (paragraph E4A)

17. In October 2013, the IASB tentatively decided to provide existing IFRS preparers with a transition relief whereby they need not apply to comparative periods the proposed amendment to IFRS 7 with regard to the servicing contracts issue, which will be effective for annual periods beginning on or after 1 January 2016 (see paragraphs 1 and 2). If this transition relief is applied, existing IFRS preparers will not need to apply the amendments to IFRS 7 to comparative periods that begin before the beginning of an annual period beginning on or after 1 January 2016. The primary purpose of the transition relief is to avoid the potential use of hindsight given the expected timing of the issue of the enhanced disclosure requirements and the effective date of the requirements.

18. The IASB also tentatively decided to propose to add a short-term exemption in paragraph E4A of Appendix E of IFRS 1. The proposed short-term exemption would be to provide first-time adopters with the same relief provided for existing IFRS preparers for the same purpose. .

19. If the comparative information in the first IFRS financial statements is presented within the minimum requirements in IFRS 1, the exemption will no longer be relevant for first-time adopters that adopt IFRSs in annual periods ending on or after 31 December 2017 for the same reason as described in paragraph 11.

20. Accordingly, we think that the IASB should propose the deletion of the exemption in paragraph E4A with being effective for annual periods beginning on or after 1 January 2017.

Exemption from applying the amendment to IAS 19, as issued in June 2011, to comparative periods (paragraph E5)

21. When the IASB amended IAS 19 *Employee Benefits* in 2011, the IASB provided a transition relief that in financial statements for periods beginning before 1 January

2014 an entity need not provide comparatives for the disclosures required by paragraph 145 of IAS 19 about the sensitivity of the defined benefit obligation. This transition relief was intended to provide sufficient lead time for entities to implement the necessary systems. The same exemption was provided for first-time adopters, for the same reason, when IAS 19 was amended in 2011.

22. The exemption permits first-time adopters not to apply the disclosure requirements to comparative periods for annual periods beginning before 1 January 2014. Hence, the exemption will no longer be applicable to a first-time adopter that has a first IFRS reporting period beginning on or after 1 January 2014.

23. Accordingly, we think that the exemption in paragraph E5 should be deleted with this deletion being effective for first IFRS financial statements for an annual period beginning on or after 1 July 2016.

Exemption from and exception to applying **Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)***, issued in October 2012, retrospectively (paragraphs E6 and E7)*

24. In October 2012, the IASB issued *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)* —herein called 'the investment entities requirements'—to be effective for annual periods beginning on or after 1 January 2014. Paragraphs E6 and E7 were added by the amendments to provide first-time adopters with transition reliefs from applying the new requirements retrospectively.

Exception for the assessment of whether the entity is an investment entity (paragraph E6)

25. The relief provided in paragraph E6 does not provide a first-time adopter with options but requires it instead to assess whether it is an investment entity on the basis of the facts and circumstances as of the date of the transition to IFRSs.

26. Paragraph C3A of IFRS 10 provides an existing IFRS preparer with a one-time transition relief from retrospective application of the investment entities requirements. The relief states that when the entity first applies the requirements, it should assess whether it is an investment entity on the basis of the facts and circumstances that exist at the beginning of the annual period in which the entity

first applies the investment entities requirements, not at the beginning of the earliest comparative period presented. .

27. We note that the IASB did not provide identical transition guidance for first-time adopters but required assessment of whether it is an investment entity as of the date of transition to IFRSs. In our view, the consequence of paragraph E6 was to clarify that the transition relief provided for existing IFRS preparers was not applied by first-time adopters, so that the assessment was not made after the date of transition to IFRSs.

28. However, we think that requiring a first-time adopter to assess whether it is an investment entity at the date of transition has the same outcome as requiring the assessment to be made retrospectively, ie at a date prior to the date of transition to IFRSs. This is because investment entities are required to measure investments in subsidiaries at fair value through profit or loss. Consequently, whether the entity applies investment entity accounting from the date of transition to IFRSs, or from an earlier date, the outcome will be the same; the investment will be measured at fair value at the transition date with adjustments recorded against opening retained earnings.

29. We have also thought about the circumstance in which a first-time adopter was viewed as an investment entity for part of the period prior to the transition date but not an investment entity as of the date of transition to IFRSs. Paragraph B100 of IFRS 10 requires the entity to apply IFRS 3 *Business Combinations* to investments in subsidiaries when it ceases to be an investment entity. However, IFRS 1 has an exemption from applying IFRS 3 to business combinations that occurred before the date of transition to IFRSs (Appendix C of IFRS 1). Hence, a first-time adopter is permitted to apply the previous GAAP rather than IFRS 3 to the change of status that occurred prior to the transition date. Accordingly, if the first-time adopter ceased to be an investment entity prior to the transition date, the impact on the opening IFRS statement of financial position of the difference in the timing of the status change would be limited because of the business combinations exemption in IFRS 1.

30. On the basis of the analysis above, we think that paragraph E6 of IFRS 1 is unnecessary because the underlying principle in that paragraph is already built

into the principles in IFRS 1. As stated earlier, we expect that the amendments proposed in this Agenda Paper will be finalised in the second half of 2015 with being effective for annual periods beginning on or after 1 July 2016 at the earliest.

31. Accordingly, we think that the exemption in paragraph E6 should be deleted with this deletion being effective for annual periods beginning on or after 1 July 2016.

Exemption for fair value measurement of investments in subsidiaries (paragraph E7)

32. The transition requirements in paragraphs C3C-C3D of IFRS 10 and paragraphs 18C-18G of IAS 27 provide existing IFRS preparers with, among other things, reliefs related to the use of fair value as defined in IFRS 13 *Fair Value Measurement* for comparative periods. The reliefs were provided primarily because an entity may have difficulties in measuring fair value of investments in subsidiaries for comparative periods in which the entity did not adopt IFRS 13, which has an effective date of 1 January 2013.

33. Paragraph E7 in IFRS 1 permits first-time adopters to apply paragraphs C3C-C3D of IFRS 10 and paragraphs 18C-18G of IAS if their first IFRS financial statements are for an annual period ending on or before 31 December 2014. In this regard, the exemption will no longer be applicable to the first IFRS financial statements for annual periods ending after 31 December 2014 (beginning after 1 January 2014).

34. Accordingly, we think that the exemption in paragraph E7 should be deleted with this deletion being effective for annual periods beginning on or after 1 July 2016.

Summary of the staff proposals

35. The following table summarises our proposed action for each exemption or exception in Appendix E of IFRS 1 together with the periods to which the exemption or exception applies, and the first IFRS reporting period (and the date of transition to IFRSs) in which first-time adopters can apply the exemption or exception to any period presented in the first IFRS financial statements. This table is prepared on the basis of the assumption that the first-time adopter presents comparative information within the minimum requirements in IFRS 1, ie one

comparative statement of profit or loss and other comprehensive income and two comparative statements of financial position.

Exemption or exception	Applicable to	First IFRS reporting period	Proposed actions
E1 and E2 (IFRS 9)	comparative periods beginning before 1/1/2011	beginning before 1/1/2012 (transition before 1/1/2011)	To analyse in the IASB's projects related to IFRS 9.
E3 (IFRS 7 (2009))	comparative periods within an annual period ending before 31/12/2009 (ie beginning before 1/1/2009)	beginning before 1/1/2010 (transition before 1/1/2009)	To delete, effective 1/7/2016
E4 (IFRS 7 (2010))	comparative periods beginning before an annual period beginning on or after 1/7/2011	beginning before 1/7/2012 (transition before 1/7/2011)	To delete, effective 1/7/2016
E4A (Proposed amendment to IFRS 7)	comparative periods beginning before an annual period beginning on or after 1/1/ 2016	beginning before 1/1/2017 (transition before 1/1/2016)	To delete, effective 1/1/2018
E5 (IAS 19 (2011))	comparative periods beginning before 1/1/2013	beginning before 1/1/2014 (transition before 1/1/2013)	To delete, effective 1/7/2016

E6 (IFRS 10 Investment entities)	Not specified	N/A	To delete, effective 1/7/2016
E7 (IFRS 10 Investment entities)	comparative periods ending on or before 31/12/2013 (ie beginning on or before 1/1/2013)	beginning on or before 1/1/2014 (transition on or before 1/1/2013)	To delete, effective 1/7/2016

Assessment against the annual improvement criteria

36. We think that the proposed amendments to IFRS 1, to delete paragraphs E3-E7, would be consistent with the IASB's original intentions when it added those exemptions. The exemptions in paragraphs E5 and E7 of IFRS 1 will no longer be applicable after a specific period of time set by the IASB. The reliefs provided in paragraphs E3-E4A of IFRS 1 became or will become inapplicable after a specific date set by the IASB unless first-time adopters present comparative information beyond the minimum requirements in IFRS 1. In addition, we think that the deletion of paragraph E6 is also consistent with the IASB's original intention that a first-time adopter is not allowed to use the transition relief provided for existing IFRS preparers and is therefore required to assess whether it is an investment entity retrospectively.

37. We are of the view that the proposed amendments in this Agenda Paper are only to clarify the IASB's original intentions and therefore the amendments meet the criteria for inclusion in an annual improvement project of the IASB.

38. For the details of the criteria and our assessment against them, refer to **Appendix B** to this Agenda Paper.

Staff recommendation to the IASB

We recommend to the IASB that it should propose the amendments to IFRS 1 as part of an annual improvement project of the IASB. If the IASB agrees with the staff's recommendation, we propose the draft amendments to IFRS 1 as set out in **Appendix C** to this Agenda Paper.

Questions for the IASB
1. Does the IASB agree with the staff's recommendation to amend IFRS 1? 2. If the IASB agrees with the Interpretations Committee's recommendation, does the IASB agree with the proposed wording for the Annual Improvements in Appendix C?

Appendix A—Excerpt from relevant IFRSs

A1. The following is the excerpt from Appendix E to IFRS 1, IFRS 7, IFRS 10, IAS 19 and IAS 27. Paragraphs 44Y and E4A of IFRS 7 are paragraphs that the IASB tentatively decided to propose to add as part of the *Annual Improvements 2012-2014 Cycle* in October 2013 (Agenda Paper 15 for the October 2013 IASB meeting).

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

Appendix E
Short-term exemptions from IFRSs

This appendix is an integral part of the IFRS.

Exemption from the requirement to restate comparative information for IFRS 9

E1 In its first IFRS financial statements, an entity that (a) adopts IFRSs for annual periods beginning before 1 January 2012 and (b) applies IFRS 9 shall present at least one year of comparative information. However, this comparative information need not comply with IFRS 7 *Financial Instruments: Disclosures* or IFRS 9, to the extent that the disclosures required by IFRS 7 relate to items within the scope of IFRS 9. For such entities, references to the 'date of transition to IFRSs' shall mean, in the case of IFRS 7 and IFRS 9 only, the beginning of the first IFRS reporting period.

E2 An entity that chooses to present comparative information that does not comply with IFRS 7 and IFRS 9 in its first year of transition shall:

(a) apply the recognition and measurement requirements of its previous GAAP in place of the requirements of IFRS 9 to comparative information about items within the scope of IFRS 9.

(b) disclose this fact together with the basis used to prepare this information.

(c) treat any adjustment between the statement of financial position at the comparative period's reporting date (ie the statement of financial position that includes comparative information under previous GAAP) and the statement of financial position at the start of the *first IFRS reporting period* (ie the first period that includes information that complies with IFRS 7 and IFRS 9) as arising from a change in accounting policy and give the disclosures required by paragraph 28(a)–(e) and (f)(i) of IAS 8. Paragraph 28(f)(i) applies only to amounts presented in the statement of financial position at the comparative period's reporting date.

(d) apply paragraph 17(c) of IAS 1 to provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Disclosures about financial instruments

E3 A first-time adopter may apply the transition provisions in paragraph 44G of IFRS 7.[3]

[3] Paragraph E3 was added as a consequence of *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* (Amendment to IFRS 1) issued in January 2010. To avoid the potential use of hindsight and to ensure that first-time adopters are not disadvantaged as compared with current IFRS preparers, the Board decided that first-time adopters should be permitted to use the same transition provisions permitted for existing preparers of financial statements prepared in accordance with IFRSs that are included in *Improving Disclosures about Financial Instruments* (Amendments to IFRS 7).

E4 A first-time adopter may apply the transition provisions in paragraph 44M of IFRS 7.[4]

[4] Paragraph E4 was added as a consequence of *Disclosures—Transfers of Financial Assets* (Amendments to IFRS 7) issued in October 2010. To avoid the potential use of hindsight and to ensure that first-time adopters are not disadvantaged as compared with current IFRS preparers, the Board decided that first-time adopters should be permitted to use the same transition provisions permitted for existing preparers of financial statements prepared in accordance with IFRSs that are included in *Disclosures—Transfers of Financial Assets* (Amendments to IFRS 7).

[E4A] [A first-time adopter may apply the transition provisions in paragraph 44Y of IFRS 7*.]

[* Paragraph E4A was added as a consequence of *Annual Improvements to IFRSs 2012-2014 Cycle* issued in [date]. To avoid the potential use of hindsight and to ensure that first-time adopters are not disadvantaged as compared with current IFRS preparers, the IASB decided that first-time adopters should be permitted to use the same transition provisions permitted for existing preparers of financial statements prepared in accordance with IFRSs that are included in *Annual Improvements to IFRSs 2012-2014 Cycle*.]

Employee benefits

E5 A first-time adopter may apply the transition provisions in paragraph 173(b) of IAS 19.

Investment entities

E6 A first-time adopter that is a parent shall assess whether it is an investment entity, as defined in IFRS 10, on the basis of the facts and circumstances that exist at the date of transition to IFRSs.

E7 A first-time adopter that is an investment entity, as defined in IFRS 10, may apply the transition provisions in paragraphs C3C–C3D of IFRS 10 and paragraphs 18C–18G of IAS 27 if its first IFRS financial statements are for an annual period ending on or before 31 December 2014. The references in those paragraphs to the annual period that immediately precedes the date of initial application shall be read as the earliest annual period presented. Consequently, the references in those paragraphs shall be read as the date of transition to IFRSs.

IFRS 7 *Financial Instruments: Disclosures*

Effective date and transition

…

44G *Improving Disclosures about Financial Instruments* (Amendments to IFRS 7), issued in March 2009, amended paragraphs 27, 39 and B11 and added paragraphs 27A, 27B, B10A and B11A–B11F. An entity shall apply those amendments for annual periods beginning on or after 1 January 2009. An entity need not provide the disclosures required by the amendments for:

(a) any annual or interim period, including any statement of financial position, presented within an annual comparative period ending before 31 December 2009, or

(b) any statement of financial position as at the beginning of the earliest comparative period as at a date before 31 December 2009.

Earlier application is permitted. If an entity applies the amendments for an earlier period, it shall disclose that fact.[1]

[1] Paragraph 44G was amended as a consequence of *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* (Amendment to IFRS 1) issued in January 2010. The Board amended paragraph 44G to clarify its conclusions and intended transition for *Improving Disclosures about Financial Instruments* (Amendments to IFRS 7).

… …

44M *Disclosures—Transfers of Financial Assets* (Amendments to IFRS 7), issued in October 2010, deleted paragraph 13 and added paragraphs 42A–42H and B29–B39. An entity shall apply those amendments for annual periods beginning on or after 1 July 2011. Earlier application is permitted. If an entity applies the amendments from an earlier date, it shall disclose that fact. An entity need not provide the disclosures required by those amendments for any period presented that begins before the date of initial application of the amendments.

…

[44Y] [*Annual Improvements to IFRSs 2012-2014 Cycle* issued in [date] amended paragraph B30 and added paragraph B30A. An entity shall apply those amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies those amendments for an earlier period it shall disclose that fact. An entity need not apply the amendments for any period presented that begins before the annual period for which the entity first applies those amendments.]

IFRS 10 *Consolidated Financial Statements*

Appendix C
Effective date and transition

This appendix is an integral part of the IFRS and has the same authority as the other parts of the IFRS.

… …

C2B For the purposes of this IFRS, the date of initial application is the beginning of the annual reporting period for which this IFRS is applied for the first time.

… …

C3A At the date of initial application, an entity shall assess whether it is an investment entity on the basis of the facts and circumstances that exist at that date. If, at the date of initial application, an entity concludes that it is an investment entity, it shall apply the requirements of paragraphs C3B–C3F instead of paragraphs C5–C5A.

… …

C3C Before the date that IFRS 13 *Fair Value Measurement* is adopted, an investment entity shall use the fair value amounts that were previously reported to investors or to management, if those amounts represent the amount for which the investment could have been exchanged between knowledgeable, willing parties in an arm's length transaction at the date of the valuation.

C3D If measuring an investment in a subsidiary in accordance with paragraphs C3B–C3C is impracticable (as defined in IAS 8), an investment entity shall apply the requirements of this IFRS at the beginning of the earliest period for which application of paragraphs C3B–C3C is practicable, which may be the current period. The investor shall retrospectively adjust the annual period that immediately precedes the date of initial application, unless the beginning of the earliest period for which application of this paragraph is practicable is the current period. If this is the case, the adjustment to equity shall be recognised at the beginning of the current period.

… …

C3F If an entity applies the *Investment Entities* amendments for a period later than when it applies IFRS 10 for the first time, references to 'the date of initial application' in paragraphs C3A–C3E shall be read as 'the beginning of the annual reporting period for which the amendments in *Investment Entities* (Amendments to IFRS 10, IFRS 12 and IAS 27), issued in October 2012, are applied for the first time.'

IAS 19 *Employee Benefits*

Transition and effective date

… …

173 An entity shall apply this Standard retrospectively, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, except that:

(a) an entity need not adjust the carrying amount of assets outside the scope of this Standard for changes in employee benefit costs that were included in the carrying amount before the date of initial application. The date of initial application is the beginning of the earliest prior period presented in the first financial statements in which the entity adopts this Standard.

(b) in financial statements for periods beginning before 1 January 2014, an entity need not present comparative information for the disclosures required by paragraph 145 about the sensitivity of the defined benefit obligation.

IAS 27 *Separate Financial Statements*

Effective date and transition

… …

18C At the date of initial application, an investment entity that previously measured its investment in a subsidiary at cost shall instead measure that investment at fair value through profit or loss as if the requirements of this IFRS had always been effective. The investment entity shall adjust retrospectively the annual period immediately preceding the date of initial application and shall adjust retained earnings at the beginning of the immediately preceding period for any difference between:

(a) the previous carrying amount of the investment; and

(b) the fair value of the investor's investment in the subsidiary.

18D At the date of initial application, an investment entity that previously measured its investment in a subsidiary at fair value through other comprehensive income shall continue to measure that investment at fair value. The cumulative amount of any fair value adjustment previously recognised in other comprehensive income shall be transferred to retained earnings at the beginning of the annual period immediately preceding the date of initial application.

18E At the date of initial application, an investment entity shall not make adjustments to the previous accounting for an interest in a subsidiary that it had previously elected to measure at fair value through profit or loss in accordance with IFRS 9, as permitted in paragraph 10.

18F Before the date that IFRS 13 *Fair Value Measurement* is adopted, an investment entity shall use the fair value amounts previously reported to investors or to management, if those amounts represent the amount for which the investment could have been exchanged between knowledgeable, willing parties in an arm's length transaction at the date of the valuation.

18G If measuring the investment in the subsidiary in accordance with paragraphs 18C–18F is impracticable (as defined in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*), an investment entity shall apply the requirements of this IFRS at the beginning of the earliest period for which application of paragraphs 18C–18F is practicable, which may be the current period. The investor shall adjust retrospectively the annual period immediately preceding the date of initial application, unless the beginning of the earliest period for which application of this paragraph is practicable is the current period. When the date that it is practicable for the investment entity to measure the fair value of the subsidiary is earlier than the beginning of the immediately preceding period, the investor shall adjust equity at the beginning of the immediately preceding period for any difference between:

(a) the previous carrying amount of the investment; and

(b) the fair value of the investor's investment in the subsidiary.

If the earliest period for which application of this paragraph is practicable is the current period, the adjustment to equity shall be recognised at the beginning of the current period.

Appendix B—Assessment against the Interpretations Committee's agenda criteria and annual improvement criteria

B1. In the table below, we have assessed the issue against the annual improvement criteria described in the *Due Process Handbook*.

Criteria for annual improvements	
Well defined and narrow in scope	**Met** The proposed amendments are well defined and narrow in scope because the amendments address only short-term exemptions listed in Appendix E of IFRS 1.
Replace unclear wording Provide missing guidance Correct minor unintended consequences, oversights or conflict	**Met** The exemptions provided in paragraphs E3-E5 and E7 became or will become inapplicable after a specific period of time set by the IASB unless first-time adopters present comparative information beyond the minimum requirements in IFRS 1.. The exemption in paragraph E6 was intended to clarify that, consistently with the principle in IFRS 1, first-time adopters are required to assess whether it is an investment entity retrospectively. Hence, we think that paragraph E6 will not be necessary when the proposed amendment is finalised (expected to be the 2nd half of 2015 with being effective for annual periods beginning on or after 1 July 2016) because the clarification will have been provided for more than three years since the issue of the investment entities requirements. Accordingly, the proposed amendments would be to clarify the IASB's original intention when it added the short-term exemptions to IFRS 1.
Not change an existing principle or propose a	**Met**

new principle	See above.
Not be so fundamental that the IASB will have to meet several times to conclude	**Met** We think that the IASB will be able to reach a consensus on the proposed amendments on a timely basis because the amendments are in line with the IASB's original intention when it added the short-term exemptions.

Appendix C—Proposed wording for the amendment

C1. The proposed amendment to IFRS 1 is presented below.

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

Paragraphs 39L and 39T are amended. Paragraphs 39D, 39F and 39U are deleted. Paragraph 39V is added. New text is underlined and deleted text is struck through.

Paragraph 39U presented below is the wording of the amendment that the IASB tentatively decided to include within the Exposure Draft *Annual Improvements 2012-2014 Cycle* in October 2013. Thus, this paragraph may change as a result of the IASB's deliberations in the future.

Effective date

… …

39D [Deleted] ~~*Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* (Amendment to IFRS 1), issued in January 2010, added paragraph E3. An entity shall apply that amendment for annual periods beginning on or after 1 July 2010. Earlier application is permitted. If an entity applies the amendment for an earlier period, it shall disclose that fact.~~

39E …

39F [Deleted] ~~*Disclosures—Transfers of Financial Assets* (Amendments to IFRS 7), issued in October 2010, added paragraph E4. An entity shall apply that amendment for annual periods beginning on or after 1 July 2011. Earlier application is permitted. If an entity applies the amendment for an earlier period, it shall disclose that fact.~~

… …

39L IAS 19 *Employee Benefits* (as amended in June 2011) amended paragraph D1, and deleted paragraphs D10 and D11 ~~and added paragraph E5~~. An entity shall apply those amendments when it applies IAS 19 (as amended in June 2011).

…

39T *Investment Entities* (Amendments to IFRS 10, IFRS 12 and IAS 27), issued in October 2012, amended paragraphs D16, D17 and Appendix C ~~and added a heading and paragraphs E6–E7~~. An entity shall apply those amendments for annual periods beginning on or after 1 January 2014. Earlier application of *Investment Entities* is permitted. If an entity applies those amendments earlier it shall also apply all amendments included in *Investment Entities* at the same time.

39U [Deleted] ~~*Annual Improvements to IFRSs 2012-2014 Cycle* issued in [date] added paragraph E4A. An entity shall apply that amendment for annual periods beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies the amendment for an earlier period, it shall disclose that fact.~~

39V *Annual Improvements to IFRSs 2013-2015 Cycle* issued in [date] amended paragraphs 39L and 39T and deleted paragraphs 39D, 39F, 39U, E3-E7. An entity shall apply those amendments for annual periods beginning on or after 1 July 2016 except for the deletion of paragraph E4A, with this deletion being effective for annual periods beginning on or after 1 January 2017. Earlier application is permitted. If an entity applies the amendment for an earlier period, it shall disclose that fact.

Paragraphs E3-E7 are deleted.

Paragraph E4A and the related footnote presented below are the wording of the amendment that the IASB tentatively decided to include within the Exposure Draft *Annual Improvements 2012-2014 Cycle* in October 2013. Thus, this paragraph and the footnote may change as a result of the IASB's deliberations in the future.

Appendix E
Short-term exemptions from IFRSs

This appendix is an integral part of the IFRS.

~~Disclosures about financial instruments~~

E3 [Deleted] ~~A first-time adopter may apply the transition provisions in paragraph 44G of IFRS 7.~~[2]

~~[2] Paragraph E3 was added as a consequence of *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* (Amendment to IFRS 1) issued in January 2010. To avoid the potential use of hindsight and to ensure that first-time adopters are not disadvantaged as compared with current IFRS preparers, the Board decided that first-time adopters should be permitted to use the same transition provisions permitted for existing preparers of financial statements prepared in accordance with IFRSs that are included in *Improving Disclosures about Financial Instruments* (Amendments to IFRS 7).~~

E4 [Deleted] ~~A first-time adopter may apply the transition provisions in paragraph 44M of IFRS 7.~~[3]

~~[3] Paragraph E4 was added as a consequence of *Disclosures—Transfers of Financial Assets* (Amendments to IFRS 7) issued in October 2010. To avoid the potential use of hindsight and to ensure that first-time adopters are not disadvantaged as compared with current IFRS preparers, the Board decided that first-time adopters should be permitted to use the same transition provisions permitted for existing preparers of financial statements prepared in accordance with IFRSs that are included in *Disclosures—Transfers of Financial Assets* (Amendments to IFRS 7).~~

E4A [Deleted] ~~A first-time adopter may apply the transition provisions in paragraph 44Y of IFRS 7*.~~

~~* Paragraph E4A was added as a consequence of *Annual Improvements to IFRSs 2012-2014 Cycle* issued in [date]. To avoid the potential use of hindsight and to ensure that first-time adopters are not disadvantaged as compared with current IFRS preparers, the IASB decided that first-time adopters should be permitted to use the same transition provisions permitted for existing preparers of financial statements prepared in accordance with IFRSs that are included in *Annual Improvements to IFRSs 2012-2014 Cycle*.~~

~~Employee benefits~~

E5 [Deleted] ~~A first-time adopter may apply the transition provisions in paragraph 173(b) of IAS 19.~~

~~Investment entities~~

E6 [Deleted] ~~A first-time adopter that is a parent shall assess whether it is an investment entity, as defined in IFRS 10, on the basis of the facts and circumstances that exist at the date of transition to IFRSs.~~

E7 [Deleted] ~~A first-time adopter that is an investment entity, as defined in IFRS 10, may apply the transition provisions in paragraphs C3C–C3D of IFRS 10 and paragraphs 18C–18G of IAS 27 if its first IFRS financial statements are for an annual period ending on or before 31 December 2014. The references in those paragraphs to the annual period that immediately precedes the date of initial application shall be read as the earliest annual period presented. Consequently, the references in those paragraphs shall be read as the date of transition to IFRSs.~~

Proposed consequential amendment to IFRS 10 *Consolidated Financial Statements*

A footnote is added to paragraph BC287

Basis for Conclusions on IFRS 10 *Consolidated Financial Statements*

Exception to consolidation for investment entities (2012 amendments)

Transition

… …

BC287 The Board also decided to require first-time adopters to apply the requirements retrospectively, subject to specific transition reliefs*.

* *Annual Improvements to IFRSs 2013-2015 Cycle,* issued in [date], amended IFRS 1 *First-time Adoption of International Financial Reporting Standard* by deleting the transition reliefs in paragraphs E6 and E7 in Appendix E Short-term exemptions from IFRSs. Paragraph E6 was deleted because the IASB thought that the relief has served the IASB's original intention that is to clarify that the transition relief provided for existing IFRS preparers is not available for first-time adopters. Paragraph E7 was deleted because it is no longer applicable for annual periods ending after 31 December 2014.

Proposed consequential amendment to IAS 19 *Employee Benefits*

A footnote is added to paragraph BC270.

Basis for Conclusions on IAS 19 *Employee Benefits*

Transition

First-time adopters

BC270 For entities adopting IFRSs for the first time, the amendments made in 2011 are to be applied retrospectively as required by IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The Board included a temporary exemption for entities adopting IFRSs to use paragraph 173(b) for the same reasons as given in paragraph BC269(b)*.

* *Annual Improvements to IFRSs 2013-2015 Cycle*, issued in [date], amended IFRS 1 *First-time Adoption of International Financial Reporting Standard* by deleting the temporary exemption in paragraph E5 in Appendix E Short-term exemptions from IFRSs because the exemption is no longer applicable for annual periods beginning on or after 1 January 2014.

Proposed consequential amendment to IFRS 7 *Financial Instruments: Disclosures*

A footnote is added to paragraph BC5.

Paragraph BC5 presented below is the wording of the amendment that the IASB tentatively decided to include within the Exposure Draft *Annual Improvements 2012-2014 Cycle* in October 2013. Thus, this paragraph may change as a result of the IASB's deliberations in the future.

Basis for Conclusions on the proposed amendment to IFRS 7 *Financial Instruments: Disclosures*

… …

BC5 The Board also considered whether the amendment should apply to any period presented that begins before the annual period for which the entity first applies the amendment. The Board noted that paragraph 42E (b) of IFRS 7 requires disclosure of the fair value of the assets and liabilities that represent the entity's continuing involvement in the derecognised financial assets. Application of the amendment to such a period might therefore require an entity to determine the fair value as of the end of the period for a servicing asset or servicing liability, which the entity might not have previously determined. It might be impracticable for an entity to determine the fair value of such a servicing asset or servicing liability without using hindsight. The Board also noted that paragraph 44M provides similar transition provisions for the transfer disclosure requirements. Consequently, to avoid the risk of hindsight being applied, the Board proposes to require the application of the amendment only to annual periods beginning on or after the beginning of the annual period for which the amendment is applied for the first time. Furthermore, for the same reason, the Board observed that those transition provisions should be available to first-time adopters. Accordingly, the Board proposes to amend IFRS 1 *First-Time Adoption of International Financial Reporting Standards* to ensure that first-time adopters are not disadvantaged as compared with current IFRS preparers*.

* *Annual Improvements to IFRSs 2013-2015 Cycle,* issued in [date], amended IFRS 1 *First-time Adoption of International Financial Reporting Standard* by deleting the transition relief in paragraph E4A in Appendix E Short-term exemptions from IFRSs because the transition relief is no longer applicable for annual periods beginning on or after 1 January 2017.