

STAFF PAPER

IFRS Interpretations Committee
Meeting

May 2013

Project	2011-2013 Annual improvements cycle (ED November 2012)—Comment letter analysis		
Topic	IAS 40 <i>Investment Property</i>—Acquisition of investment property: interrelationship with IFRS 3		
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This paper has been prepared by the staff of the IFRS Foundation for discussion at a public meeting of the IFRS Interpretations Committee. Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRS Interpretations Committee or the IASB can make such a determination. Decisions made by the IFRS Interpretations Committee are reported in *IFRIC Update*. The approval of a final Interpretation by the Board is reported in *IASB Update*.

Introduction

1. The Exposure Draft ED/2012/2 *Annual Improvements to IFRSs 2011–2013 Cycle* published in November 2012 ('the ED') includes a proposal for an amendment to IAS 40 *Investment Property* to clarify the interrelationship of IFRS 3 *Business Combinations* with IAS 40 when classifying property as investment property or owner-occupied property.

Objective

2. The objective of this paper is to provide an analysis of the comment letters received on the proposal to amend IAS 40 and to obtain a recommendation from the IFRS Interpretation Committee ('the Interpretations Committee') for the IASB to include the amendment in the final *Annual Improvements to IFRSs* that are planned to be published in 2013.

Structure of the paper

3. This paper:
 - (a) provides a description of the issue that led to the proposed amendment;
 - (b) analyses the comments received as part of the Exposure Draft process;
and
 - (c) asks the Interpretations Committee to confirm whether it agrees with the staff recommendation to proceed with the proposed amendment.

Description of the issue

4. In May 2011, the Interpretations Committee received a request to clarify whether an asset with relatively simple associated processes meets the definition of a business in accordance with IFRS 3. More specifically, the question was whether the acquisition of a single investment property, with lease agreements with multiple tenants over varying periods and associated processes, such as cleaning, maintenance and administrative services such as rent collection, constitutes a business as defined in IFRS 3.
5. The Interpretations Committee noted that the issue goes beyond the scope of its activities because the difficulty in determining whether an acquisition meets the definition of a business in Appendix A of IFRS 3 is not limited to the acquisition of investment property. A paper summarising the information gathered as a result of this request will be prepared and provided to the IASB's post-implementation review team after it has been discussed by the Interpretations Committee¹.

¹ See Agenda Paper 6A

<http://www.ifrs.org/Meetings/MeetingDocs/Interpretations%20Committee/2013/May/AP06A%20-%20WIP%20-%20Definition%20of%20a%20business%20-%20Summary%20of%20outreach%20results%20and%20analysis.pdf>

6. However, in the course of its discussions, the Interpretations Committee noted that there is uncertainty about the interrelationship of IFRS 3 with IAS 40 when investment property with associated insignificant ancillary processes is acquired:
- (a) Some consider both Standards to be mutually exclusive if investment property with associated insignificant ancillary services as specified in paragraph 11 of IAS 40 is acquired.
 - (b) Others, in contrast, think that an entity acquiring such investment property has to determine whether it meets both definitions.
7. At the September 2011 meeting, the Interpretations Committee observed that IFRS 3 and IAS 40 are not mutually exclusive. An entity acquiring an investment property should consider whether it meets the definition of a business as defined in Appendix A of IFRS 3. The Interpretations Committee noted that the guidance in paragraphs 11-14 of IAS 40 on ancillary services is intended to delineate an investment property from owner-occupied property, and not to delineate a business combination from the acquisition of a single asset.
8. At the November 2011 meeting the Interpretations Committee decided to recommend that the IASB should amend IAS 40 through *Annual Improvements*, to clarify that:
- (a) judgement is needed to determine whether the acquisition of investment property is the acquisition of a single asset or of a group of assets, or is a business combination within the scope of IFRS 3; and
 - (a) this judgement is not based on paragraphs 7-15 of IAS 40 but on the guidance in IFRS 3. The guidance in paragraphs 7-15 of IAS 40 relates only to the judgement needed to distinguish an investment property from an owner-occupied property².
9. At the February 2012 meeting, the IASB decided to include the amendment proposed by the Interpretations Committee in the ED.

² For further details see Agenda Paper 6

<http://www.ifrs.org/Meetings/Documents/061111AP06AIP20112013IFRS3Definitionofabusiness.pdf>

Comment letter analysis

10. In this section, we discuss and analyse the comments received from interested parties on the ED during the comment period, which ended on 18 February 2013.
11. The ED asked two general questions that were answered individually for each proposed amendment:
 - (a) *Question 1: Do you agree with the IASB's proposal to amend the Standard as described in the Exposure Draft? If not, why and what alternative do you propose?*
 - (b) *Question 2: Do you agree with the proposed transitional provisions and effective date for the issue as described in the Exposure Draft? If not, why and what alternative do you propose?*
12. The IASB received 65 comment letters on the ED in total; 60 respondents expressed their views on the proposed amendment to IAS 40.

Analysis of Question 1

13. With respect to Question 1, about 80 per cent of the respondents who replied to this question agreed with the proposed amendment to IAS 40.
14. The reasons why some of those respondents support the IASB's proposal are shown below:
 - (a) the proposed amendment clarifies the interrelationship between IAS 40 and IFRS 3 (Hydro-Québec);
 - (b) it will reduce the diversity in practice (ARDF, RSM);
 - (c) it clarifies that the assessment of whether the acquisition of investment property represents a business combination should be performed based on the definition in IFRS 3. IAS 40 is relevant to the assessment of whether an item of property constitutes an investment property (Deloitte); and
 - (d) it provides additional clarity in IAS 40 (ESMA).

15. Few respondents disagreed with the proposed amendment. The main reasons why these respondents disagreed with the proposal are as follows:
- (a) The IASB should review the definition of a business and supporting guidance in IFRS 3 more broadly, rather than amending IAS 40. The post-implementation review of IFRS 3 would be a suitable opportunity for this review (Grant Thornton, KPMG, ICAEW and AASB).
 - (b) The proposed statement: “this judgement is not based on paragraphs 7–15 of IAS 40 but is instead based on the guidance in IFRS 3” ignores the specific nature of an investment property. An investment property is a very specific category of asset and its distinguishing characteristics can be relevant in applying IFRS 3's definition of a business. Specifically, the respondent notes that earning revenues (in the form of rentals) is implicit in the definition of investment property and some related services are ancillary to rental generation. Accordingly, the routine characteristics of an investment property such as in-place leases, associated rental revenue generation and ancillary services should be given a lower weighting when determining whether an acquisition of investment property is part of a business combination or an asset purchase (Grant Thornton, AASB)
 - (c) Amendments similar to the first two sentences of the proposed paragraph 14A³ would also be needed for other Standards, including IAS 16 *Property, Plant and Equipment*, IAS 17 *Leases*, IAS 38 *Intangible Assets* and IAS 41 *Agriculture*, because the issue is not unique to IAS 40. For example, similar judgement would also be applicable to an entity that purchases used delivery trucks to be used in its normal day-to-day operations from a third-party delivery service provider, because the trucks

³ Paragraph 14A states that: “Judgement is also needed to determine whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of IFRS 3 *Business Combinations*. Reference should be made to IFRS 3 to determine whether it is a business combination. The discussion in paragraphs 7–15 of this Standard relates to whether or not property is owner-occupied property or investment property and not to determine whether or not the acquisition of property is a business combination as defined in IFRS 3. Determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 and includes an investment property as defined in this Standard requires the separate application of both Standards.”

could be considered to be a separate business depending on particular facts and circumstances. (KPMG, FEI, EFRAG and GASB⁴).

- (d) The investment property should not generally qualify as a business itself if it is only exposed to the risks and benefits of price or fair value (as is generally the case). IAS 40 should include this presumption, unless there was clear evidence, in view of the nature of the asset and according to IFRS 3 guidance, that it is a business (ICAC).

16. Some respondents agreed with the proposed amendment, but believe that as part of the post-implementation review of IFRS 3 the IASB should:

- (a) consider the consequences of the distinction between acquisition of assets and businesses (EFRAG and BusinessEurope); and
- (b) assess the need for expanded specific guidance in IFRS to distinguish when an investment property should be considered as a business or not (BusinessEurope, Repsol and BDO).

17. We have grouped the concerns above into the issues below:

- (a) review the definition of a business and supporting guidance in IFRS 3;
- (b) the proposal ignores the specific nature of an investment property; and
- (c) need for similar amendments to other Standards.

18. We will analyse the concerns that we have identified above in the following paragraphs.

Review the definition of a business and supporting guidance in IFRS 3

19. Some respondents think that the issue that needs to be addressed is the diversity in the application of the guidance in IFRS 3 in determining whether an acquisition of assets meets the definition of a business.

20. We are aware of this broader issue, and indeed a paper will be prepared and provided to the IASB's post-implementation review team to contribute the results of the Interpretations Committee's discussions on what a business is.

21. In our view, the aim of this proposed amendment is not to clarify what a business is (this issue is too broad to be addressed through Annual Improvements). The aim of this proposal is only to clarify that the scope of IFRS 3 and the scope of

⁴ However, EFRAG and GASB agree with the proposed amendment.

IAS 40 are not mutually exclusive. Thus, an entity has to apply the guidance in IFRS 3 to determine whether the acquisition meets the definition of a business combination and the guidance in IAS 40 to determine whether the acquired asset or assets meet(s) the definition of investment property. In other words, the review of the guidance in IFRS 3 is outside the scope of this proposal. The scope of this proposal is only to indicate which guidance entities should apply to determine whether an acquisition of an investment property is a business combination.

The proposal ignores the specific nature of an investment property

22. Some respondents think that an investment property is a very specific category of asset and believe that those individual characteristics can be relevant in applying the definition of a business in IFRS 3. They note that earning revenues is implicit in the definition of investment property and that some related services are ancillary to rental generation. Consequently, they believe that a lower weighting should be given to routine characteristics of an investment property such as in-place leases, associated rental revenue generation and ancillary services, when determining whether an acquisition is a business combination or an asset purchase.
23. We disagree with this comment, because we think that the individual characteristics of investment properties are relevant for differentiating investment property from owner-occupied property, or to distinguish the scope of IAS 40 from the scope of IAS 16. In our view, IFRS 3 requires a broader (ie a more complex) assessment. Consequently, an entity for determining whether an investment property represents a business should base its assessment on the guidance in IFRS 3.

Need for similar amendments to other Standards

24. Some respondents do not think that the question of exercising judgement to distinguish a business combination from an acquisition of assets only arises for the acquisition of an investment property. The accounting for other transactions requires entities to exercise that judgement as well. Consequently, their view is that the IASB should not only amend IAS 40 but also other Standards where such judgement is needed, accordingly (eg IAS 16 and IAS 38).

25. We understand that, in theory, the same problem could arise for the acquisition of other assets, but at the moment we do not have sufficient evidence of divergence in practice in distinguishing the scope of IFRS 3 from, for example, the scope of IAS 16. Consequently, we think that we should finalise the proposed amendment to IAS 40, without proposing similar amendments to other Standards.

Analysis of Question 2

26. With respect to Question 2, about 20 per cent of the respondents who replied to this question disagreed with the proposed transitional provisions. The main reasons are shown below:

(a) the amendments should be applied retrospectively, as the respondent believes that the purchase price allocation accounting within IFRS 3 produces more relevant information for users. In the respondent's view, it is likely that entities that purchased an investment property had already collected relevant information on the fair value of the asset. Consequently, the risk of using hindsight in these circumstances is limited and outweighed by the benefit of having comparable and relevant information. The respondent understands that the objective of these amendments is to provide clarification on how current guidance in IAS 40 and IFRS 3 already applies. Accordingly, it does not see the need for prospective application of these amendments (EFRAG, DASB, ESMA, AcSB, FAR, AASB).

(b) Requirements similar to the transitional provisions that are applied for existing entities in the ED should also be allowed for first-time adopters (ASBJ).

27. We think that the proposed amendment should be applied prospectively, but retrospective application should be permitted if the information needed is available to the entity.

28. We are proposing prospective application because even though we agree that relevant information on the fair value of the acquired investment property is

readily available, we think that fair value information may not be available for other assets and liabilities that are only recognised under IFRS 3, eg contingent liabilities or indemnification assets. Another example may be the acquisition-date fair value of contingent consideration, which may have not been determined in previous periods because of a different accounting policy for contingent consideration for a single asset or a group of assets. Consequently, to avoid the use of hindsight in determining the acquisition-date fair value of the intangible assets acquired, and of the liabilities assumed as part of the business combination transaction, we think that the proposed amendment to IAS 40 should be applied prospectively.

29. However, we agree that the amendment is only a clarification, therefore we recommend that retrospective application should be permitted if the information needed is available to the entity. Our proposed changes are highlighted in Appendix B of this paper.
30. We also think that no consequential amendment for first time adopters is needed because appropriate relief is already given through the exemptions for business combinations in Appendix C of IFRS 1 *First-time Adoption of International Financial Reporting Standards*.

Staff recommendation

31. On the basis of the analysis in the previous section of the paper, we think that the Interpretations Committee should recommend to the IASB that it should proceed with the proposed amendment to IAS 40, which proposes to clarify that
 - (a) judgement is needed to determine whether the acquisition of investment property is the acquisition of a single asset or of a group of assets, or is a business combination within the scope of IFRS 3; and
 - (b) this judgement is not based on paragraphs 7-15 of IAS 40 but on the guidance in IFRS 3. The guidance in paragraphs 7-15 of IAS 40 relates only to the judgement needed to distinguish an investment property from an owner-occupied property
32. Appendix A shows the proposed final amendment, highlighting differences from the currently effective Standard.

33. Appendix B shows revisions to the wording in the previously published Exposure Draft.

Questions for the Interpretations Committee

1. Does the Interpretations Committee agree to recommend to the IASB that it should proceed with the amendment to IAS 40?
2. Does the Interpretations Committee agree with the proposed wording of the amendment as shown in Appendix A of the paper?

Appendix A—Proposed final amendment to IAS 40

A1. The proposed amendment to IAS 40 is presented below.

Amendment to IAS 40 *Investment Property*

Before paragraph 6, a heading is added. Paragraph 14A is added. After paragraph 84 a heading and paragraph 84A are added. Paragraph 85D is added. Paragraphs 6 and 14 have been included for ease of reference but are not proposed for amendment.

Classification of property as investment property or owner-occupied property

6 A *property interest* that is held by a lessee under an operating lease may be classified and accounted for as investment property if, and only if, the property would otherwise meet the definition of an investment property and the lessee uses the fair value model set out in paragraphs 33–55 for the asset recognised. This classification alternative is available on a property-by-property basis. However, once this classification alternative is selected for one such property interest held under an operating lease, all property classified as investment property shall be accounted for using the fair value model. When this classification alternative is selected, any interest so classified is included in the disclosures required by paragraphs 74–78.

...

14 Judgement is needed to determine whether a property qualifies as investment property. An entity develops criteria so that it can exercise that judgement consistently in accordance with the definition of investment property and with the related guidance in paragraphs 7–13. Paragraph 75(c) requires an entity to disclose these criteria when classification is difficult.

14A Judgement is also needed to determine whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of IFRS 3 *Business Combinations*. Reference should be made to IFRS 3 to determine whether it is a business combination. The discussion in paragraphs 7–15 of this Standard relates to whether or not property is owner-occupied property or investment property and not to determine whether or not the acquisition of property is a business combination as defined in IFRS 3. Determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 and includes an investment property as defined in this Standard requires the separate application of both Standards.

...

Transitional provisions

Business Combinations

84A *Annual Improvements Cycle 2011–2013* issued in [date] added paragraph 14A and a heading before paragraph 6. An entity shall apply that amendment prospectively for acquisitions of investment property from the beginning of the first period for which it adopts that amendment. Consequently, amounts recognised for acquisitions of investment property in prior periods shall not be adjusted. However, retrospective application of that amendment is permitted if and only if information needed to apply the amendment retrospectively is available to the entity.

Effective date

...

85D Annual Improvements Cycle 2011–2013 issued in [date] added paragraphs 14A and 84A and a heading before paragraph 6. An entity shall apply those amendments for annual periods beginning on or after 1 January 2014. Earlier application is permitted. If an entity applies those amendments for an earlier period it shall disclose that fact.

Basis for Conclusions on the proposed amendment to IAS 40 *Investment Property*

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

Classification of property as investment property or owner-occupied property

Acquisition of investment property: interrelationship with IFRS 3

- BC39A The IFRS Interpretations Committee (the Interpretations Committee) reported to the IASB that practice differed in delineating the scope of IFRS 3 *Business Combinations* and IAS 40 *Investment Property*:
- (a) Some considered both Standards as mutually exclusive if investment property with associated insignificant ancillary services, as specified in paragraph 11 of IAS 40, is acquired. They view property, together with any associated insignificant ancillary services, as being a single ‘unit of account’ and they consider this unit of account to be one asset called ‘investment property’.
 - (b) Others did not view IFRS 3 and IAS 40 as being mutually exclusive if investment property with associated insignificant ancillary services, as specified in paragraph 11 of IAS 40, is acquired; nor did they view the definitions of a business as defined in Appendix A of IFRS 3 and investment property as defined in paragraph 5 of IAS 40 as being interrelated. They think that an entity acquiring investment property has to determine whether it meets both definitions.
- BC39B The IASB noted that paragraphs 8–14 of IAS 40 have been developed to differentiate investment property from owner-occupied property, or to delineate the scope of IAS 40 to distinguish it from the scope of IAS 16 *Property, Plant and Equipment*. In addition, neither IFRS 3 nor IAS 40 contains a limitation in its scope that restricts its application when the other Standard applies, ie there is nothing within the scope of each Standard to suggest that they are mutually exclusive. The IASB also noted that the wording of IAS 40 is not sufficiently clear about the interrelationship of the two Standards.
- BC39C The IASB agrees with the proponents of the view presented in paragraph BC1(b) that IFRS 3 and IAS 40 are not mutually exclusive. It amended IAS 40 to state explicitly that judgement is also needed to determine whether the transaction is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of IFRS 3 that includes an investment property. That judgement is not based on paragraphs 7–15 of IAS 40 but is instead based on the guidance in IFRS 3. Only the judgement needed to distinguish investment property from owner-occupied property is based on these paragraphs.
- BC39D Consequently, the IASB clarified the interrelationship of the two Standards by adding paragraph 14A and a heading before paragraph 6 to IAS 40.

Effective date and transition

- BC68 The IASB added paragraphs 14A, 84A and 85D and a heading before paragraph 6 of IAS 40 to clarify the interrelationship between IFRS 3 and IAS 40. It considered the transitional provisions and effective date of the amendment to IAS 40. The IASB noted that applying IFRS 3 to transactions that

have previously been accounted for as the acquisition of an asset or a group of assets might involve the use of hindsight in determining the acquisition-date fair values of the identifiable assets acquired and of the liabilities assumed as part of the business combination transaction. It also noted that the amendment is only a clarification of the interrelationship between IFRS 3 and IAS 40. Consequently, it decided that an entity would apply the amendments to IAS 40 prospectively for annual periods beginning on or after 1 January 2014 but that retrospective application of that amendment should be permitted but only if information needed is available to the entity.

Appendix B—Changes from the Exposure Draft published in December 2012

- A2. The proposed amendment to IAS 40 is presented below. New text that is proposed to be added is shown with a double-underline. Text that is proposed to be deleted with respect to the proposed amendment included in the ED (December 2012), is shown with a ~~double-strike-through~~.

Amendment to IAS 40 *Investment Property*

Before paragraph 6, a heading is added. Paragraph 14A is added. After paragraph 84 a heading and paragraph 84A are added. Paragraph 85D is added. Paragraphs 6 and 14 have been included for ease of reference but are not proposed for amendment.

Classification of property as investment property or owner-occupied property

- 6 ***A property interest that is held by a lessee under an operating lease may be classified and accounted for as investment property if, and only if, the property would otherwise meet the definition of an investment property and the lessee uses the fair value model set out in paragraphs 33–55 for the asset recognised. This classification alternative is available on a property-by-property basis. However, once this classification alternative is selected for one such property interest held under an operating lease, all property classified as investment property shall be accounted for using the fair value model. When this classification alternative is selected, any interest so classified is included in the disclosures required by paragraphs 74–78.***
- ...
- 14 Judgement is needed to determine whether a property qualifies as investment property. An entity develops criteria so that it can exercise that judgement consistently in accordance with the definition of investment property and with the related guidance in paragraphs 7–13. Paragraph 75(c) requires an entity to disclose these criteria when classification is difficult.
- 14A Judgement is also needed to determine whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of IFRS 3 *Business Combinations*. Reference should be made to IFRS 3 to determine whether it is a business combination. The discussion in paragraphs 7–15 of this Standard relates to whether or not property is owner-occupied property or investment property and not to determine whether or not the acquisition of property is a business combination as defined in IFRS 3. Determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 and includes an investment property as defined in this Standard requires the separate application of both Standards.
- ...

Transitional provisions

Business Combinations

- 84A *Annual Improvements Cycle 2011–2013* issued in [date] added paragraph 14A and a heading before paragraph 6. An entity shall apply that amendment prospectively for acquisitions of investment property from the beginning of the first period for which it adopts that amendment. Consequently, amounts recognised for acquisitions of investment property in prior periods shall not be adjusted. However, retrospective application of that amendment is permitted if and only if information needed to apply the amendment retrospectively is available to the entity.

Effective date

- ...
- 85D *Annual Improvements Cycle 2011–2013* issued in [date] added paragraphs 14A and 84A and a heading before paragraph 6. An entity shall apply those amendments for annual periods beginning on or after 1 January 2014. Earlier application is permitted. If an entity applies those amendments for an earlier period it shall disclose that fact.

Basis for Conclusions on the proposed amendment to IAS 40 *Investment Property*

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

Classification of property as investment property or owner-occupied property

Acquisition of investment property: interrelationship with IFRS 3

- BC~~3~~39A The IFRS Interpretations Committee (the Interpretations Committee) reported to the IASB that practice differed in delineating the scope of IFRS 3 *Business Combinations* and IAS 40 *Investment Property*:
- Some considered both Standards as mutually exclusive if investment property with associated insignificant ancillary services, as specified in paragraph 11 of IAS 40, is acquired. They view property, together with any associated insignificant ancillary services, as being a single ‘unit of account’ and they consider this unit of account to be one asset called ‘investment property’.
 - Others did not view IFRS 3 and IAS 40 as being mutually exclusive if investment property with associated insignificant ancillary services, as specified in paragraph 11 of IAS 40, is acquired; nor did they view the definitions of a business as defined in Appendix A of IFRS 3 and investment property as defined in paragraph 5 of IAS 40 as being interrelated. They think that an entity acquiring investment property has to determine whether it meets both definitions.
- BC~~2~~39B The IASB noted that paragraphs 8–14 of IAS 40 have been developed to differentiate investment property from owner-occupied property, or to delineate the scope of IAS 40 to distinguish it from the scope of IAS 16 *Property, Plant and Equipment*. In addition, neither IFRS 3 nor IAS 40 contains a limitation in its scope that restricts its application when the other Standard applies, ie there is nothing within the scope of each Standard to suggest that they are mutually exclusive. The IASB also noted that the wording of IAS 40 is not sufficiently clear about the interrelationship of the two Standards.
- BC~~3~~39C The IASB agrees with the proponents of the view presented in paragraph BC1(b) that IFRS 3 and IAS 40 are not mutually exclusive. It ~~proposes to~~ amended IAS 40 to state explicitly that judgement is also needed to determine whether the transaction is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of IFRS 3 that

includes an investment property. That judgement is not based on paragraphs 7–15 of IAS 40 but is instead based on the guidance in IFRS 3. Only the judgement needed to distinguish investment property from owner-occupied property is based on these paragraphs.

BC439D Consequently, the IASB ~~proposes to~~ clarified the interrelationship of the two Standards by adding paragraph 14A and a heading before paragraph 6 to IAS 40.

Effective date and transition

BC568 The IASB ~~proposes to~~ added paragraphs 14A, 84A and 85D and a heading before paragraph 6 of IAS 40 to clarify the interrelationship between IFRS 3 and IAS 40. It considered the transitional provisions and effective date of the amendment to IAS 40. The IASB noted that applying IFRS 3 to transactions that have previously been accounted for as the acquisition of an asset or a group of assets might involve the use of hindsight in determining the acquisition-date fair values of the identifiable assets acquired and of the liabilities assumed as part of the business combination transaction. It also noted that the amendment is only a clarification of the interrelationship between IFRS 3 and IAS 40. Consequently, it ~~proposes~~ decided that an entity would apply the ~~proposed~~ amendments to IAS 40 prospectively for annual periods beginning on or after 1 January 2014 but that retrospective application of that amendment should be permitted but only if information needed is available to the entity.