ICAEW REPRESENTATION 16/16

Annual Improvements to IFRSs 2014-2016 Cycle

ICAEW welcomes the opportunity to comment on the IASB's *Annual Improvements to IFRSs 2014-2016 Cycle* published in November 2015, a copy of which is available from this link.

This response of 27 January 2016 has been prepared on behalf of ICAEW by the Financial Reporting Faculty. Recognised internationally as a leading authority on financial reporting, the Faculty, through its Financial Reporting Committee, is responsible for formulating ICAEW policy on financial reporting issues and makes submissions to standard setters and other external bodies on behalf of ICAEW. The Faculty provides an extensive range of services to its members including providing practical assistance with common financial reporting problems.

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MAJOR POINTS

Support for the proposals

1. ICAEW broadly supports the amendments outlined in *ED/2015/10 Annual Improvements to IFRSs 2014–2016 Cycle*. However, we do have a number of observations as discussed in our responses below.

RESPONSES TO SPECIFIC QUESTIONS

Question 1:

Do you agree with the IASB's proposal to amend the Standards as described in the Exposure Draft? If not, why and what alternative do you propose?

2. We broadly support the proposed amendments to the standards although we have one observation regarding the amendments to IFRS 1 *First-time adoption of International Financial Reporting Standards* as outlined below.

3. As part of the proposal to delete from IFRS 1 the short-term transitional exemptions that are no longer required, the consultation document outlines consequential amendments to a footnote to paragraph 44G of IFRS 7 *Financial Instruments: Disclosures*. However, paragraph 44G of IFRS 7 no longer appears relevant and might helpfully be deleted altogether. We believe the IASB should consider more broadly the relevance of the short-term transitional provisions available across all IFRSs.

Question 2:

Do you agree with the proposed transition provisions as described in the Exposure Draft? If not, why and what alternative do you propose?

4. We broadly agree with the proposed transition provisions although we have one observation as discussed below.

5. Paragraph 36A of IAS 28 *Investments in Associates and Joint Ventures* outlines how an entity, which is not itself an investment entity, but has an interest in an associate or joint venture that is an investment entity may, when applying the equity method, retain the fair value measurement applied by that investment entity associate's or joint venture's interests in subsidiaries. The consultation paper proposes that 'this election is made separately for each investment entity associate or joint venture, at the later of (i) on initial recognition of the investment entity associate or joint venture, (ii) when an associate or joint venture becomes an investment entity and (iii) when an investment entity associate or joint venture first becomes a parent.'

6. We believe that the proposed amendment, as drafted, may imply that an entity would not be able to revisit the treatment previously applied to existing investment entity associates or joint ventures, for example, if an entity had previously fair valued all of its investment entity associates or joint ventures, the proposed amendment would not allow it to change the treatment for some or all of those associates and joint ventures to allow them to apply equity accounting. As such, it appears that application of the amendment would be prospective only.

7. If the intention was for the amendment to be applied retrospectively, and we believe that this should be the case, the amendment would need to allow entities to re-visit the elections made in relation to pre-existing investments. We recommend that the IASB include a transition provision to address this matter, with a corresponding provision also included in IFRS 1.