

IASB defers effective date of amendment 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'



Why have the amendments being issued?

In September 2014, the IASB issued the narrow-scope amendment 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture: Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures' ('the original amendment'). The original amendment concerned transactions of entities with an associate or joint venture. It stated that in such transactions, the extent of the gain or loss recognition depends on whether the assets sold or contributed constitute a business.

In February 2015, the IASB was in the final stages of issuing an exposure draft to clarify the original amendment in greater detail. This exposure draft also proposed to defer the effective date of the original amendment to coincide with the effective date of the clarification. However, the IASB decided not to publish the exposure draft and instead to address the issues in its research project on equity accounting.

What are the changes introduced by the amendments?

As it is unknown if and when the research project will result in a revision of IAS 28 and what the effective date of this revision would be, the IASB postpones the effective date of the original amendment until a date to be inserted by the IASB. Once the IASB proposes an effective date, this proposed date will be exposed for public comment.

Observations

It is difficult to predict the new effective date. The research project on the equity method will primarily focus on application issues arising from the requirements in IAS 28. However, the scope of the project could be broadened if the post implementation reviews of IFRS 10, IFRS 11 and IFRS 12 identify further deficiencies.

What are the transition requirements?

As the IASB had permitted early adoption of the original amendment, it decided that early application should continue to be allowed to address existing diversity in practice. The Board concluded that early application would not increase diversity.

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