



Australian Government
**Australian Accounting
Standards Board**

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29 February 2016

Mr Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
UNITED KINGDOM

Dear Hans

IASB ED/2015/10 *Annual Improvements to IFRSs 2014-2016 Cycle*

The Australian Accounting Standards Board (AASB) is pleased to provide its comments on ED/2015/10 *Annual Improvements to IFRSs 2014-2016 Cycle*.

Overall, the AASB supports the proposed amendments. However, we have some concerns about the proposed amendments to delete short-term exemptions for first-time adopters in IFRS 1 *First-time Adoption of International Financial Reporting Standards*.

Our concerns and suggestions for improvement are explained in the Appendix to this letter. The Appendix also includes the AASB's comments on the specific questions in the Exposure Draft.

If you have any questions regarding this letter, please do not hesitate to contact Eric Lee (elee@asb.gov.au).

Yours sincerely,

A handwritten signature in blue ink that reads 'K. E. Peach'.

Kris Peach
Chair and CEO

APPENDIX

AASB's responses to the Questions for Respondents to ED/2015/10

The AASB's views on the questions in the Exposure Draft are as follows:

Question 1 – Proposed Amendment

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?

The AASB supports the proposed amendments in light of the explanation for them given in each of the IASB's Bases for Conclusions on ED/2015/10. However, we have the following comments about the specific amendments noted below:

IFRS 1 – Deletion of short-term exemptions for first-time adopters

The AASB supports the proposal to delete short-term exemptions that are no longer applicable. However, the AASB thinks that determining the "not applicable" dates in the Basis for Conclusions is not straightforward. Using paragraph BC1(c) in the Basis for Conclusions as an example, the AASB disagrees with the IASB's view that the relief provided in paragraph 44AA of IFRS 7 *Financial Instruments: Disclosures* is not applicable for financial statements prepared for annual periods ending on or after 31 December 2017. The AASB thinks that the transition relief is still relevant, for example, for financial statements prepared for annual periods ending on 30 June 2018¹ that require a third statement of financial position as at the beginning of the preceding period (in accordance with paragraph 40A of IAS 1 *Presentation of Financial Statements*).

Accordingly, we recommend that the IASB gives consideration to reporting periods other than a calendar year, the length of an annual period (which can be longer than 12 months when entities change their reporting dates) and the disclosure of comparative figures when deciding dates when short-term exemptions cease to be relevant. The AASB views that the relief provided in paragraph 44AA of IFRS 7 ceases to be relevant for annual periods beginning on or after 1 January 2018.

The AASB assumes that the latest "not applicable" date in the Basis for Conclusions could be used as the basis for the effective date of amendments to delete the short-term exemptions. In that case, it is important that the "not applicable" dates in the Basis for Conclusions accurately cover the range of circumstances.

The AASB also suggests that the IASB considers introducing "sunset clauses" for future short-term exemptions in IFRS 1 *First-time Adoption of International Financial Reporting Standards*. This should permit short-term exemptions to be removed as editorial amendments when they are no longer applicable without requiring a lengthy due process. However, announcements are warranted when the IASB makes such editorial amendments. The "sunset clauses" could be included, using paragraph E4A as an example, as follows:

¹ The normal financial year in Australia runs from 1 July to 30 June in the following year.

“A first-time adopter may apply the transition provisions in paragraph 44AA of IFRS 7. However, this is not applicable for annual periods beginning on or after 1 January 2018.” (new text is underlined).

Other comments

The AASB recommends that the footnote to paragraph 44G of IFRS 7 be deleted for the following reasons:

- (a) it is unnecessary to include the amendment history of paragraph 44G within the body of the standard – it is not needed;
- (b) the proposed amendment to refer to a related provision in IFRS 1 is not relevant to IFRS 7; and
- (c) the Basis for Conclusions is a summary of the considerations of the IASB in reaching its consensus rather than an authoritative part of a standard; as such, the footnote within the body of the standard should not be cross-referenced to the Basis for Conclusions.

Question 2 – Transition provisions

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

The AASB **agrees** with the proposed transition provisions.