Australian Government
Australian Accounting Standards Board

Staff Paper

Project:	**Deferring the effective date of 2014 amendments to AASB 10 and AASB 128**	**Meeting:**	November 2024 (M210)
Topic:	**Further deferral of the amendments**	**Date of this paper:**	22 October 2024
		Agenda Item:	5.1
Contact(s):	Helena Simkova hsimkova@aasb.gov.au Kim Carney kcarney@aasb.gov.au Clark Anstis canstis@aasb.gov.au	**Project Priority:** **Decision-Making:** **Project Status:**	Medium High Decide on further deferral of amendments to AASB 10 and AASB 128

Objective of this paper

1 The objective of this paper is for the AASB to **decide** on a further deferral of the effective date of amendments made in 2014 to AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* regarding the equity method of accounting via AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*.

Background

2 In September 2014, the IASB issued IFRS Standard *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, which made narrow-scope amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. In December 2014, the AASB issued AASB 2014-10, which made identical amendments to AASB 10 and AASB 128.

3 After issuing these amendments, the IFRS Interpretations Committee (IFRS IC) and the IASB considered several other issues concerning the sale or contribution of assets between an investor and its associates or joint ventures. In June 2015, the IASB:

(a) noted these further issues should be addressed as part of its Equity Method research project;

(b) noted these further issues were related to and would lead to greater clarification of the amendments made in September 2014; and

(c) decided that the effective date of the September 2014 amendments should be **indefinitely deferred** so that entities would not need to change the way they apply IFRS 10/IAS 28 twice in a short period.

4 As a result, the IASB issued IFRS Standard *Effective Date of Amendments to IFRS 10 and IAS 28* in December 2015, changing the effective date of the September 2014 amendments from 1 January 2016 to 'a date to be determined by the IASB'. The IASB did not reverse the amendments, so that they would remain in place and could be early adopted by entities should they elect to do so.

5 In August 2015, the AASB noted that it would be unable to defer the effective date of the relevant amendments in AASB 2014-10 indefinitely. This is because, under the *Corporations Act 2001*, if a Standard does not include a mandatory effective date, the requirements of the

Standard become mandatory for periods ending after the legal commencement of the Standard. If a legal commencement date is not specified in a Standard, then in accordance with section 12(1)(a) of the *Legislation Act 2003*, the Standard would legally "commence" and become mandatory for periods ending after the day it is registered on the Federal Register of Legislation. Accordingly, to avoid immediate application of the amendments, the effective date needed to be deferred to a specified future date.

6 Given the legal implications of deferring the amendments indefinitely, the AASB decided the effective date of AASB 2014-10 would be deferred until annual reporting periods beginning on or after 1 January 2018. To do this, the AASB issued AASB 2015-10 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128*. At the time of the decision, the AASB noted that an IASB discussion paper on Equity Method Accounting (the project intended to address the issues resulting in the deferrals) was expected in 2016.

7 In October 2017, the AASB again deferred the effective date of the amendments to annual periods beginning on or after 1 January 2022. To do this, the AASB issued AASB 2017-5 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*. At the time of the decision, the IASB's Equity Method project was neither completed nor presently active; instead, it was in the IASB's Research Pipeline. As the equity project was not completed at the end of 2021, the AASB further deferred the effective date of the amendments to annual periods beginning on or after 1 January 2025 by issuing AASB 2021-7 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*. The IASB further decided to complete the Post-implementation Reviews (PIRs) of IFRS 10, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities* before progressing with the proposals.

Current status

8 At the date of this paper, the IFRS-equivalent amendments continue to be indefinitely deferred. As the existing deferred effective date for the Australian amendments is annual periods beginning on or after 1 January 2025, a further deferral is now required to maintain compliance with IFRS Standards. That is, further deferral would reflect the IFRS position that the amendments are not mandatory and that an entity could elect to apply them.

9 Staff note that the IASB issued the ED *Equity Method of Accounting – IAS 28 Investments in Associates and Joint Ventures* on 19 September 2024. The comment period closes 20 January 2025.

10 Staff do not know the expected completion date of the IASB's Equity Method project or the effective date of the deferred amendments that might be decided as an outcome of the project. However, staff expects that the IASB could finalise the amendments to IFRS 10 and IAS 28 in 2026 and allow approximately 2 years for implementation.

Staff recommendations and questions to the Board

11 In light of the above, Staff recommend the effective date of the AASB 2014-10 amendments are further deferred to annual reporting periods beginning on or after **1 January 2028**. To do this, staff recommend issuing an amending Standard that applies to annual periods beginning on or after 1 January 2025. Staff consider this to be necessary as:

(a) the deferral should take place from the current effective date of the AASB 2014-10 amendments, being 1 January 2025, which is imminent, and the IASB is yet to determine an effective date for the amendments;

(b) the AASB remains unable to defer the amendments indefinitely due to the reasons identified in paragraph 5; and

(c) staff consider it unlikely that an effective date before 1 January 2028 would be decided by the IASB, given the current status of the relevant projects as outlined above and the likely adoption of an implementation period prior to any mandatory application.

12 Consistent with the approach adopted when AASB 2021-7 was issued, staff consider that a formal consultation process, such as an exposure draft, is unnecessary due to:

(a) the narrow, technical nature of the amendments, which are required to maintain IFRS compliance; and

(b) a further deferral not affecting any of the accounting policy choices currently available to entities.

Questions for Board members
Q1 Does the Board have questions or comments?
Q2 Does the Board agree with the suggested new deferred effective date of 1 January 2028?
Q3 Does the Board agree to vote on the amending Standard without a formal consultation process?
Q4 Does the Board vote in favour of the Amending Standard 2024-X as set out in the ballot draft (Agenda Paper 5.2)?