

Explanatory Statement

Accounting Standard AASB 2017-1

Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014–2016 Cycle and Other Amendments

Accounting Standard AASB 2017-2

Amendments to Australian Accounting Standards – Further Annual Improvements 2014–2016 Cycle

February 2017



Australian Government

**Australian Accounting
Standards Board**

EXPLANATORY STATEMENT

Standards Amended by AASB 2017-1 & AASB 2017-2

AASB 2017-1 makes amendments to the following Australian Accounting Standards:

- (a) AASB 1 *First-time Adoption of Australian Accounting Standards* (July 2015);
- (b) AASB 128 *Investments in Associates and Joint Ventures* (August 2015); and
- (c) AASB 140 *Investment Property* (August 2015).

AASB 2017-2 makes amendments to AASB 12 *Disclosure of Interests in Other Entities*.

These amendments arise from the issuance of International Financial Reporting Standards *Transfers of Investment Property* (Amendments to IAS 40) and *Annual Improvements to IFRS Standards 2014–2016 Cycle* and IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration* by the International Accounting Standards Board (IASB) in December 2016.

Power to Make Amendments

Under subsection 33(3) of the *Acts Interpretation Act 1901*, where an Act confers a power to make, grant or issue any instrument of a legislative or administrative character (including rules, regulations or by-laws), the power shall be construed as including a power exercisable in the like manner and subject to the like conditions (if any) to repeal, rescind, revoke, amend, or vary any such instrument. Accordingly, the AASB has the power to amend the Accounting Standards that are made by the AASB as legislative instruments under the *Corporations Act 2001*.

Main Features of AASB 2017-1 & AASB 2017-2

Main Requirements

AASB 2017-1 amends:

- (a) AASB 1 to delete some short-term exemptions for first-time adopters that were available only for reporting periods that have passed and to add exemptions arising from AASB Interpretation 22 *Foreign Currency Transactions and Advance Consideration*;
- (b) AASB 128 to clarify that:
 - (i) a venture capital organisation, or a mutual fund, unit trust and similar entities may elect, at initial recognition, to measure investments in an associate or joint venture at fair value through profit or loss separately for each associate or joint venture; and
 - (ii) an entity that is not an investment entity may elect to retain the fair value measurement applied by its associates and joint ventures that are investment entities when applying the equity method. This choice is available separately for each investment entity associate or joint venture; and
- (c) AASB 140 to reflect the principle that an entity transfers a property to, or from, investment property when, and only when, there is a change in use of the property supported by evidence that a change in use has occurred.

AASB 2017-2 clarifies the scope of AASB 12 by specifying that the disclosure requirements apply to an entity's interests in other entities that are classified as held for sale, held for distribution to owners in their capacity as owners or discontinued operations in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Application Date

AASB 2017-1 applies to for-profit entities for annual periods beginning on or after 1 January 2018 and to not-for-profit entities for annual periods beginning on or after 1 January 2019. Earlier application of amendments to individual Standards is permitted where indicated.

AASB 2017-2 applies to for-profit and not-for-profit entities for annual periods beginning on or after 1 January 2017.

References to Other AASB Standards

References in these Standards to the titles of other AASB Standards that are legislative instruments are to be construed as references to those other Standards as originally made and as amended from time to time and incorporate provisions of those Standards as in force from time to time.

Consultation Prior to Issuing these Standards

The AASB issued Exposure Draft ED 272 *Transfers of Investment Property* (Proposed amendments to AASB 140) in November 2015 for comment by 15 February 2016, incorporating IASB ED/2015/9 *Transfers of Investment Property* (Proposed amendments to IAS 40). The AASB received five comment letters to ED 272. Comment letters expressed general support for the proposals. However, some suggested further clarification was needed for the definition of investment property and the evidence of change in use.

The AASB issued Exposure Draft ED 273 *Annual Improvements to IFRSs 2014–2016 Cycle* in November 2015 for comment by 22 January 2016, incorporating IASB ED/2015/10 *Annual Improvements to IFRSs 2014–2016 Cycle*. The AASB received one comment letter to ED 273. The comment letter generally agreed with the proposed amendments. However, some concerns were raised regarding the effect of deleting paragraphs and transition provisions.

The AASB considered the comments it received in preparing its submissions on the proposals to the IASB. Amendments were made to the proposals in response to some of the comments in finalising AASB 2017-1 and AASB 2017-2.

A Regulation Impact Statement (RIS) has not been prepared in connection with the issue of AASB 2017-1 and AASB 2017-2 as the amendments made do not have a substantial direct or indirect impact on business or competition.

Statement of Compatibility with Human Rights

Prepared in accordance with Part 3 of the
Human Rights (Parliamentary Scrutiny) Act 2011

Accounting Standard AASB 2017-1 *Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014–2016 Cycle and Other Amendments*

Accounting Standard AASB 2017-2 *Amendments to Australian Accounting Standards – Further Annual Improvements 2014–2016 Cycle*

Overview of the Accounting Standards

AASB 2017-1 amends:

- (a) AASB 1 to delete some short-term exemptions for first-time adopters that were available only for reporting periods that have passed and to add exemptions arising from AASB Interpretation 22 *Foreign Currency Transactions and Advance Consideration*;
- (b) AASB 128 to clarify that:
 - (i) a venture capital organisation, or a mutual fund, unit trust and similar entities may elect, at initial recognition, to measure investments in an associate or joint venture at fair value through profit or loss separately for each associate or joint venture; and
 - (ii) an entity that is not an investment entity may elect to retain the fair value measurement applied by its associates and joint ventures that are investment entities when applying the equity method. This choice is available separately for each investment entity associate or joint venture; and
- (c) AASB 140 to reflect the principle that an entity transfers a property to, or from, investment property when, and only when, there is a change in use of the property supported by evidence that a change in use has occurred.

AASB 2017-2 clarifies the scope of AASB 12 by specifying that the disclosure requirements apply to an entity's interests in other entities that are classified as held for sale, held for distribution to owners in their capacity as owners or discontinued operations in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Human Rights Implications

These Standards are issued by the AASB in furtherance of the objective of facilitating the Australian economy. It does not diminish or limit any of the applicable human rights or freedoms, and thus does not raise any human rights issues.

Conclusion

These Standards are compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.