

Review Times

OCTOBER 2014



PART 1: FINANCIAL REPORTING

1.1 IASB publishes Exposure Draft (ED) 2014/4 *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value*

On 16 September 2014, the International Accounting Standards Board (IASB) published for public comment an ED detailing proposals concerning the measurement of investments in subsidiaries, joint ventures and associates at fair value when those investments are quoted in an active market. The proposed amendments to International Financial Reporting Standard (IFRS) 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities*, International Accounting Standard (IAS) 27 *Separate Financial Statements*, IAS 28 *Investments in Associates and Joint Ventures* and IAS 36 *Impairment of Assets* aim to address questions received on:

- the unit of account for investments in subsidiaries, joint ventures and associates and on the fair value measurement when those investments are quoted in an active market (quoted investments); and
- the measurement of the recoverable amount of cash-generating units (CGUs) on the basis of fair value less costs of disposal when they correspond to entities that are quoted in an active market (quoted CGUs).

The proposed amendments clarify that an entity should measure the fair value of quoted investments and quoted CGUs as the product of the quoted price for the individual financial instruments that make up the investments held by the entity and the quantity of financial instruments.

The ED also includes proposed amendments to the Illustrative Examples for IFRS 13 *Fair Value Measurement* to clarify questions received relating to the application of the exception in paragraph 48 of IFRS 13. The example illustrates the fair value measurement of an entity's net exposure to market risks arising from a group of financial assets and financial liabilities whose market risks are substantially the same and whose fair value measurement is categorised within Level 1 in the fair value hierarchy.

The ED is open for comments until 16 January 2015.

The ED can be accessed at the following link: <http://www.ifrs.org/Current-Projects/IASB-Projects/FVM-unit-of-account/Exposure-Draft-September-2014/Pages/Exposure-Draft-and-Comment-letters.aspx>

1.2 IASB issues narrow-scope amendments to IFRS 10 and IAS 28 (2011)

On 11 September 2014, the IASB issued narrow-scope amendments to IFRS 10 and IAS 28 (2011). The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The amendments will be effective from annual periods commencing on or after 1 January 2016.

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PART 1: FINANCIAL REPORTING (CONT'D)

1.3 IASB published Discussion Paper on Reporting the Financial Effects of Rate Regulation

On 17 September 2014, the IASB published for public comment a Discussion Paper (DP) *Reporting the Financial Effects of Rate Regulation*.

Many governments regulate the supply and pricing of particular types of activity by entities. These activities usually involve providing goods or services that are considered in that jurisdiction to be essential to customers, including transport services, some types of insurance policies, and utilities such as gas, electricity and water. Some forms of rate regulation can significantly affect not only the amount of revenue and profit that a rate-regulated entity can earn, but also the timing of the related cash flows.

The DP describes a type of rate regulation that contains elements of both cost recovery and incentive approaches—this type of rate regulation is termed *defined rate regulation*. The DP seeks comments on whether or not the distinguishing features of defined rate regulation, as identified by the IASB, sufficiently capture the type(s) of rate regulation that have the most significant financial effects.

The DP does not include any specific accounting proposals. Instead, it explores what information about rate-regulated activities is most useful to users of financial statements and outlines possible approaches (and the accompanying advantages and disadvantages) that the IASB could consider in deciding how best to report the financial effects of rate regulation.

The DP also seeks comments on whether the presentation and disclosure requirements of IFRS 14 *Regulatory Deferral Accounts* should form the basis of any future proposals that the IASB may develop as a result of feedback from this consultation. IFRS 14 was issued in January 2014 as a temporary measure until the IASB concludes this project.

The DP is available for comment until 15 January 2015. A high level 'Snapshot' summary of the DP is available here:

<http://www.ifrs.org/Current-Projects/IASB-Projects/Rate-regulated-activities/Discussion-Paper-September-2014/Documents/Snapshot-Discussion-Paper-Rate-Regulation-September-2014.pdf>

1.4 IASB issues Annual Improvements to IFRSs 2012-2014 Cycle.

On 25 September 2014, the IASB issued *Annual Improvements to IFRSs 2012-2014 Cycle*.

The IASB uses the Annual Improvements process to make necessary, but non-urgent, amendments to IFRSs if those amendments will not be included as part of any other project. By presenting the amendments in the form of a single document rather than as a series of piecemeal changes, the IASB aims to ease the burden of change for all concerned.

Annual Improvements to IFRSs 2012–2014 Cycle is a series of amendments to IFRSs in response to issues raised during the 2012-2014 cycle for annual improvements. These amendments result from proposals that were contained in the ED *Proposed amendments to IFRS, Annual Improvements to IFRSs 2012–2014 Cycle*, published in December 2013.

The effective date of the amendments is 1 January 2016.

PART 2: TAXATION

Updates on SIATP website

The Singapore Institute of Accredited Tax Professionals (SIATP) has issued a number of Tax Alerts since the previous issue of the RT Review Times (2014/9).

For details of these tax alerts, please refer to the SIATP's website as follows:

<http://www.siatp.org.sg/index.php/tax-news>





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