17 February 2016

International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH
United Kingdom
Email: commentletters@ifrs.org

Dear Sir/Madam

SAICA SUBMISSION ON ED/2015/10 – *ANNUAL IMPROVEMENTS TO IFRSs 2014 – 2016 CYCLE*

In response to your request for comments on ED/2015/10 – *Annual Improvements to IFRSs 2014 – 2016 Cycle,* attached is the comment letter prepared by the Accounting Practices Committee (APC) of the South African Institute of Chartered Accountants (SAICA). This comment letter results from deliberations of the APC, which comprises members from reporting organisations, regulators, auditors, IFRS specialists, investment analysts and academics.

We thank you for the opportunity to provide comments on this document.

Please do not hesitate to contact us should you wish to discuss any of our comments.

Yours faithfully,

Kevin Davies
Chairman of the Accounting Practices Committee

Bongeka Nodada
Project Director – Financial Reporting Standards

SPECIFIC COMMENTS

Proposed amendment to IFRS 1 – *First-time Adoption of International Financial Reporting Standards: Deletion of short-term exemptions for first-time adopters*

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?

We agree with the proposed amendment to delete the short-term exemptions for first-time adopters as currently worded.

However, some constituents believe that the exemptions in paragraphs E3, E4 and E4A should be retained as possible permanent exemptions. The equivalent disclosures in IFRS 7 – *Financial Instruments: Disclosures* were applied on a prospective basis. Therefore, by requiring retrospective application we feel that inappropriate use of hindsight may be made by a first-time adopter.

We are concerned that preparers who, for regulatory or other reasons, need to prepare more than one year of comparatives will be disadvantaged, as they may be required to apply the disclosure requirements retrospectively to periods that would have been exempt when introduced under full IFRS.

We recommend that the reference in paragraph BC2 of the Exposure Draft to 'adjustments recognised against opening retained earnings' be aligned with the wording in paragraph 11 of IFRS 1 which reads 'opening retained earnings (or, if appropriate, another category of equity)' to maintain consistency within the paragraphs.

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?

Not applicable.

Proposed amendment to IFRS 12 – *Disclosure of Interest in Other Entities: Clarification of the scope of the disclosure requirements*

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?

We agree with the proposed amendment to clarify the scope of the disclosure requirements in IFRS 12.

However, we note that the IFRS Interpretations Committee is currently considering a number of issues arising from the application of IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations.* We recommend that, when the International Accounting Standards Board (Board) performs a post-implementation review on IFRS 5, it should also consider the relevance and applicability of the related IFRS 12 – *Disclosure of Interests in Other Entities* disclosure requirements for interests classified as held for sale, held for distribution to owners or discontinued operations.

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?

We understand that the proposed amendment is a clarification and should be applied retrospectively in accordance with IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*. We support this transition method.

IAS 28 – *Investment in Associates and Joint Ventures: Measuring investees at fair value through profit or loss on an investment-by-investment basis*

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?

We agree with the proposed amendment to paragraph 18 that clarifies that the election to measure investments held by, or indirectly through, venture capital organisations, mutual funds, unit trusts or similar entities at fair value through profit or loss on an investment-by-investment basis must be made on an investment-by-investment basis.

However, our constituents proposed the following for paragraph 18:

- The Board should consider the measurement requirements applicable to investments held by investment entities and venture capital entities mentioned in this paragraph with a view to aligning the requirements for both entities. This should form part of the project on equity accounting.

- We note that IFRS 12 paragraph 20(c) requires entities to disclose aggregated financial information for individually immaterial investments in associates and joint ventures. Entities with indirect investments in associates and joint ventures will not be able to disclose meaningful aggregated information under IFRS 12 paragraph 20(c) if the investments being aggregated are measured on different bases as proposed by the amendment. We recommend that an exemption similar to that allowed for investment entities in IFRS 12 paragraph 21 should be introduced to IFRS 12 for investments in associates held at fair value in order to address this potential inconsistency.

- While constituents agree with the proposed amendment to paragraph 36A, they would recommend that the wording proposed in paragraph 36A should be aligned with the wording in paragraph 19. That is, this election in paragraph 36A is only applicable to that portion of the investment in the associate that is equity accounted.

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?

We believe that a modified retrospective approach would be appropriate for the proposed amendments in paragraph 18 and 36A.

We are concerned that entities which believed that the election was not on an investment-by-investment basis and consequently made their election at an overall portfolio level would be prejudiced with a full retrospective application. We are also of the view that entities should be allowed to make a retrospective application whereby the effects of this election are applied from the beginning of the earliest comparative period presented. This would be similar to the transitional provisions applied by IFRS 10 – *Consolidated Financial Statements* when it became effective.