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# *Straight away*

## IFRS bulletin from PwC

14 December 2012

### ***IASB publishes exposure draft on accounting for the sale or contribution of assets between an investor and its associate or joint venture***

#### ***What is the issue?***

The IASB is proposing to eliminate some of the existing inconsistency between the consolidation and joint arrangements standards. An exposure draft (ED) proposing amendments to IFRS 10 'Consolidated financial statements' and IAS 28 (2011) 'Investments in associates and joint ventures' was issued on 13 December 2012.

There is an inconsistency between the guidance in the consolidation standard dealing with the loss of control of a subsidiary and the restrictions on recognising gains and losses arising from contributions of non-monetary assets to an associate or a joint venture. IFRS 10 requires recognition of both the realised gain on disposal and the unrealised holding gain on the retained interest. On the other hand, IAS 28 (2011) requires gains or losses on the contribution of a non-monetary asset to an associate or a joint venture to be recognised only to the extent of the other party's interest in the associate or joint venture.

The amendments are intended to resolve this inconsistency.

#### ***Key amendments***

##### ***Is it a business or an asset?***

If the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 'Business combinations'), then the full gain or loss will be recognised by the investor.

The gain or loss on assets that do not meet the definition of a business will be recognised by the investor to the extent of the other investors' interests in the associate or joint venture. This is the current accounting treatment under SIC 13 'Jointly controlled entities – non-monetary contributions by venturers'.

Determining whether the contribution is of 'assets' or a 'business' should be made by considering whether the sale or contribution is a part of multiple arrangements that should be accounted for as a single transaction.

##### ***Scope***

The amendments in the ED will only apply when an investor sells or contributes assets to its associate or joint venture. They are not intended to address accounting for the sale or contribution of assets by an investor in a joint operation.

### ***Transition***

The ED proposes that the amendments to IFRS 10 and IAS 28 (2011) are prospective. The effective date of the amendment has not been specified in the ED.

### ***Am I affected?***

All entities that sell or contribute assets into their associates or joint ventures will be affected. You will need to consider whether the assets sold or contributed constitute a business.

### ***What's next?***

The comment period ends on 23<sup>rd</sup> April 2013. You should consider responding to these proposals so your views can be considered by the IASB in its re-deliberations and finalisation of the amendments.

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