

24 April 2013

Mr Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Hans

AOSSG comments on Exposure Draft ED/2012/7
Acquisition of an Interest in a Joint Operation

The Asian-Oceanian Standard-Setters Group (AOSSG) is pleased to provide comments on the Exposure Draft ED/2012/7 *Acquisition of an Interest in a Joint Operation*. In formulating its views, the AOSSG sought the views of its constituents within each jurisdiction.

The AOSSG currently has 26 member standard-setters from the Asian-Oceanian region: Australia, Brunei, Cambodia, China, Dubai, Hong Kong, India, Indonesia, Iraq, Japan, Kazakhstan, Korea, Macao, Malaysia, Mongolia, Nepal, New Zealand, Pakistan, Philippines, Saudi Arabia, Singapore, Sri Lanka, Syria, Thailand, Uzbekistan and Vietnam.

To the extent feasible, this submission to the IASB reflects in broad terms the collective views of AOSSG members. Each member standard-setter may also choose to make a separate submission that is consistent or otherwise with aspects of this submission. The intention of the AOSSG is to enhance the input to the IASB from the Asian-Oceanian region. This submission has been circulated to all AOSSG members for their comment after having been initially developed through the AOSSG Chair's Advisory Committee.

AOSSG members are supportive of the IASB proposal to amend IFRS 11 *Joint Arrangements* to require a joint operator to account for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business (as defined in IFRS 3 *Business Combinations*) by applying the relevant principles for business combinations accounting in IFRS 3 and other standards. AOSSG members are also supportive of the IASB proposal to require disclosure of the relevant information required by those Standards for business combinations.

AOSSG members are also supportive of the IASB proposal to apply the proposed amendment to IFRS 11 to the acquisitions of an interest in an existing joint operation on its formation but not if no existing business is contributed to the joint operation on its formation.

In addition to the proposals, some AOSSG members recommend that the IASB considers providing guidance on related issues that have also resulted in diversity in practice, such as the accounting for a step-up of an interest in a joint operation.

Furthermore, given the proposals are predicated on determining whether the activities of a joint operation constitute a business (as defined in IFRS 3), some AOSSG members recommend that the IASB considers providing additional guidance on the application of that definition. These members were made aware that applying the definition of a business requires considerable judgement in certain circumstances, including whether early mining explorative activities involve sufficient processes that would satisfy the definition.

Our views are explained in more detail in the Appendix.

If you have queries regarding any matters in this submission, please contact me.

Yours sincerely



Kevin M. Stevenson
AOSSG Chair

Appendix

Detailed comments on IASB ED/2012/7 *Acquisition of an Interest in a Joint Operation*

Question 1 of ED/2012/7 – Proposal to account for the acquisition of an interest in a joint operation that constitutes a business by applying the relevant principles on business combinations in IFRS 3 and other Standards

- 1 AOSSG members support the IASB's rationale in paragraph BC7 of ED/2012/7 for amending IFRS 11 *Joint Arrangements* to require a joint operator to account for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business (as defined in IFRS 3 *Business Combinations*) by applying the relevant principles for business combinations accounting in IFRS 3 and other standards.
- 2 In addition, AOSSG members are supportive of the IASB proposal to require disclosure of the relevant information required by those Standards for business combinations. This is because those disclosures are an integral part of the financial reporting about the acquisition of interests in businesses.

Question 2 of ED/2012/7 – Proposal to apply the amendment to the acquisition of an interest in a joint operation on its formation, but not if no existing business is contributed to the joint operation on its formation

- 3 AOSSG members support the proposal to apply the amendment to the acquisition of an interest in a joint operation on its formation, but not if no existing business is contributed to the joint operation on its formation.

Question 3 of ED/2012/7 – Proposal to apply the proposed amendment prospectively

- 4 AOSSG members support the proposed amendment to be applied prospectively to acquisitions of interests in joint operations in which the activity of the joint operation constitutes a business on or after that effective date, and particularly support permitting early application. This is because AOSSG members consider the proposed amendments to IFRS 11 would improve financial reporting, and therefore, the improved information should be available to users as soon as possible.

Other comments

- 5 In addition to the proposals in ED/2012/7, some AOSSG members recommend that the IASB considers:
 - (a) providing additional guidance on the application of the definition of a business as the IASB's proposals are fundamentally related to the definition of a business under IFRS 3. In some jurisdictions in Asia-

Oceania, it is common for acquisitions of an interest in joint operations that constitutes a pre-existing business, particularly in the resources and property industries. These members were made aware that applying the definition of a business as defined in IFRS 3 requires considerable judgement in those industries. For example, debates frequently arise around the question of whether early mining explorative activities would satisfy the definition of a business, including whether there are sufficient processes in place. Given the proposals in ED/2012/7 are predicated on determining whether the activities of a joint operation meet the meaning of a business (as defined in IFRS 3), it would be useful if the IASB could clarify the circumstances in which an acquisition relates to a business; and

- (b) providing guidance on related issues that have also resulted in diversity in practice, for example, the accounting for a step-up of an interest in a joint operation.