

# HKFRS / IFRS UPDATE 2013/04

## SALE OR CONTRIBUTION OF ASSETS BETWEEN AN INVESTOR AND ITS ASSOCIATE OR JOINT VENTURE



### Background

On 13 December 2012 the International Accounting Standards Board (IASB) published Exposure Draft *ED/2012/6 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* which sets out proposed amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures (2011)*. Like other proposed amendments to IFRS, the HKICPA issued invitation to comment on the ED.

The proposed amendments aim to resolve the conflict between IAS 27 *Consolidated and Separate Financial Statements* and SIC-13 *Jointly Controlled Entities—Non-Monetary Contributions by Venturers* in relation to the accounting by an investor for the loss of control/joint control in an investee, as currently:

- IAS 27 requires a *full gain or loss* to be recognised on the loss of control of a subsidiary
- SIC-13 requires a *partial gain or loss* to be recognised in transactions between an investor and its associate or joint venture.

The conflict was identified as a result of a request to the IFRS Interpretations Committee to clarify the meaning of 'non-monetary asset' used in SIC-13.

The exposure draft has been developed with a focus on the conceptual basis that was considered when the requirements of IFRS 3 *Business Combinations* were developed, which is that the triggering of remeasurement and recognition of gains and losses occurs only on the occurrence of significant economic events, such as a parent gaining or losing control over another entity.

However, the requirements of IFRS 3 apply only where the transactions involve a 'business' as defined by that standard. Consequently, the proposals in the amendment make a distinction between transactions between an investor and its associate or joint venture in which the assets being contributed or sold constitute a business, and those in which the assets do not constitute a business.

The effective date for the amendments, if finalised, is to be confirmed. The amendments would be required to be applied prospectively.

The IASB has requested comments on the Exposure Draft by 23 April 2013. Should you intend to forward your comments to the HKICPA, please mind that their comment period will end on 18 March 2013.

### STATUS

Exposure draft

### EFFECTIVE DATE

To be confirmed

### ACCOUNTING IMPACT

May be significant

## Proposed amendments

The proposed amendments are being made to the two standards that will supersede the current guidance in IAS 27 and SIC 13 from 1 January 2013, being IFRS 10 and IAS 28 (2011).

The exposure draft proposes amendments to both IFRS 10 and IAS 28 (2011) that would clarify:

- That a full gain or loss is recognised only when the transaction that relates to the sale or contributions of assets that meets the definition of a business per IFRS 3
- That the existing requirements for the recognition of a partial gain or loss are retained where the transaction relates to the sale or contribution of assets that do not meet the definition of a business as defined in IFRS 3.

The proposed amendment also explicitly incorporates into IAS 28 (2011) the guidance in respect to 'linked transactions' in IFRS 10, which requires an entity to consider whether the sale or contribution of assets sold in two or more arrangements meets the definition of a business and therefore whether the separate arrangements should be accounted for as a single transaction.

---

## BDO's support and assistance on HKFRS/IFRS

For any support and assistance on HKFRS/IFRS, please talk to your usual BDO contact or email [info@bdo.com.hk](mailto:info@bdo.com.hk)

Click [here](#) for more BDO publications on HKFRS/IFRS.

---

BDO Limited, a Hong Kong limited company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Please contact BDO Limited to discuss these matters in the context of your particular circumstances. BDO Limited, its partners, employees and agents do not accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.

© 2013 BDO Limited

**[www.bdo.com.hk](http://www.bdo.com.hk)**