

# IFRSs 10, 11 and 12

## *Post-implementation Review*

### *Phase 1*

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- Purpose of the session
- Post-implementation Review (PiR) Process
- Background on
  - IFRS 10: *Consolidated Financial Statements*
  - IFRS 11: *Joint Arrangements*
  - IFRS 12: *Disclosure of Interests in Other Entities*
- PiR feedback received so far
- Questions for Interpretations Committee members and observers
- Next step

- The purpose of this session is:
  - a) For staff to provide information about the PiR of IFRSs 10, 11 and 12;
  - b) For staff to summarise the most significant matters the team has been informed of to date; and
  - c) For Interpretation Committee members to comment on the list of matters identified and describe any additional matters.
- This session forms part of phase 1 of the PiR of IFRSs 10, 11 and 12 and aims to help the Board identify any matters that entities encountered when implementing and applying IFRSs 10, 11 and 12.

# Post-implementation Review Process (1/2)

- The Board's due process requires it to conduct a PiR of each new Standard or major amendment.



- Identification and assessment of matters to be examined in the PiR

- Publish a Request for Information (RFI)
- Consider the evidence gathered from the RFI
- Present findings to the Board

- Publish a Feedback Statement presenting the Board's findings and setting out the steps it plans to take, if any, as a result of the PiR

# Post-implementation Review Process (2/2)

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- The Due Process Handbook requires that the PiR considers:
  - a. the matters that were important or contentious during the development of the Standard; and
  - b. any matters that have come to the attention of the Board after the Standard was issued.

## IFRS 10

- A single consolidation (control) model
- Exemption from consolidation—investment entities

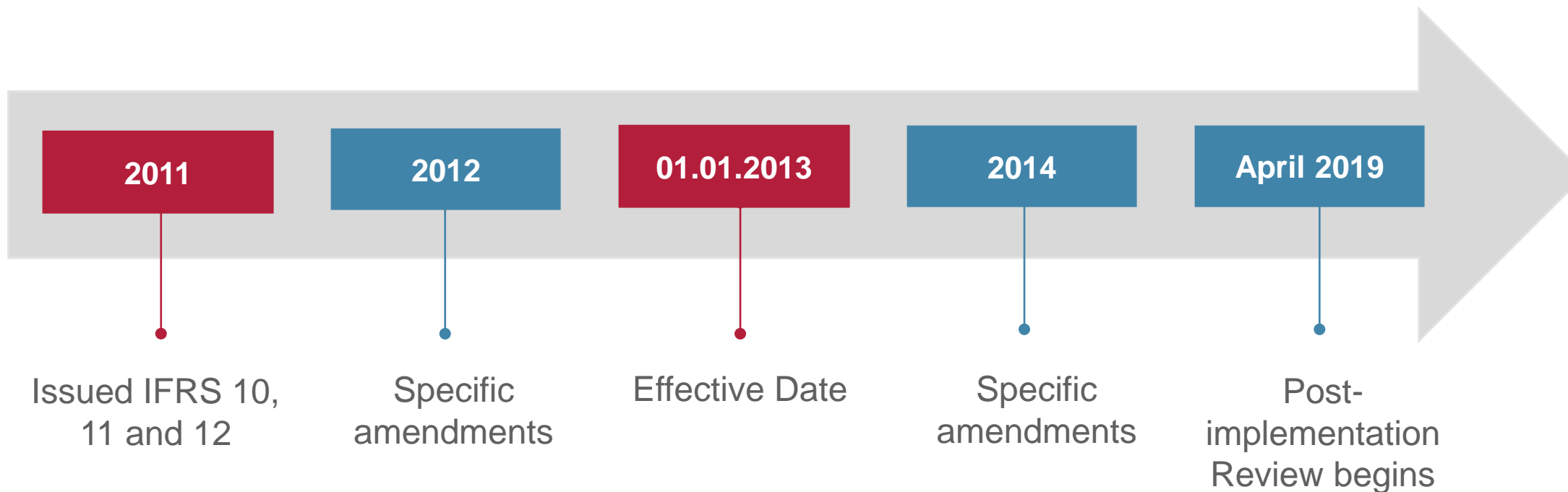
## IFRS 11

- Classification of joint arrangements based on rights and obligations
- Elimination of accounting options

## IFRS 12

- Combined and enhanced disclosure requirements

# Timeline



## 2012 amendments

- June: Transition Guidance
- October: **Investment Entities**

## 2014 amendments

- May: Accounting for Acquisitions of Interests in Joint Operations
- September: Sale or Contribution of Assets between an investor and its Associate or Joint Venture\*
- December: Investment Entities: Applying the Consolidation Exception

\*Effective Date of Amendments to IFRS 10 and IAS 28 deferred indefinitely

# Interpretations Committee work on IFRSs 10, 11 and 12 (1/3)

- Agenda decisions published in relation to:
  - effect of protective rights on an assessment of control (IFRS 10)
  - transition—impairment, foreign exchange and borrowing costs (IFRS 10 and IFRS 11)
  - investment entities amendments—the definition of investment-related services or activities (IFRS 10)
  - disclosure of summarised financial information about material joint ventures or associates (IFRS 12)
  - disclosures for a subsidiary with a material non-controlling interest (IFRS 12)
  - joint operation that is a separate vehicle in its financial statements (IFRS 11)



# Interpretations Committee work on IFRSs 10, 11 and 12 (2/3)

- Agenda decisions published in relation to:
  - classification—other facts and circumstances (IFRS 11)
  - classification—other facts and circumstances—specific fact patterns (IFRS 11)
  - joint operator’s share of output purchased differs from its share of ownership interest (IFRS 11)
  - joint arrangements with similar features that are classified differently (IFRS 11)
  - recognition of revenue by a joint operator (IFRS 11)
  - accounting by the joint operator in its separate financial statements (IFRS 11 and IAS 27)

# Interpretations Committee work on IFRSs 10, 11 and 12 (3/3)

- Agenda decisions published in relation to:
  - single-asset, single-lessee lease vehicles (IFRS 10)
  - remeasurement of previously held interests (IFRS 11 and IFRS 3)
  - accounting for loss of control transactions (IFRS 10 and IFRS 11)
  - investment entities and subsidiaries (IFRS 10)
  - liabilities in relation to a joint operator's interest in a joint operation (IFRS 11)
  - sale of output by a joint operator (IFRS 11)

# Summary of feedback received so far

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- Several stakeholders said IFRSs 10, 11 and 12 are generally working well.
- However, stakeholders expressed concerns about particular application and other matters in particular circumstances.

# Application matters on IFRS 10 (1/2)

- Identification of relevant activities when two or more shareholders have the rights to direct different activities in different periods
- Protective vs substantive rights
  - continuous assessment due to changes in facts and circumstances
- Control with less than majority of voting rights
  - dispersed shareholding (de facto control)
  - special relationship with the investee
  - de facto agent (without contractual arrangement)

# Application matters on IFRS 10 (2/2)

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- Principal vs agent analysis
- Identification of investment entity (IE)
  - what level of formalisation is required?
- Accounting for transactions with changes in ownership interest
  - measurement of retained interest in a joint operation after loss of control

# Application matters on IFRS 11

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- Classification of joint arrangements according to ‘other facts and circumstances’
- Accounting for joint operation
  - disproportionate outputs taken up by joint operators
  - interaction with IFRS 16

# Application matters on IFRS 12

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- Level of aggregation of information
- Identification of unconsolidated structured entities

## Other matters

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- Information about interests in subsidiaries, especially subsidiaries with significant NCI
- No look-through of intermediate IE assets and liabilities in a IE parent
- Accounting for collaborative arrangements without joint control



# Questions for Interpretations Committee members and observers

- Are the application matters on IFRSs 10, 11 and 12 the staff have been informed of so far consistent with your experience of implementing the three Standards?
- Do you think the application matters brought to the staff's attention so far require further investigation? If so, do you have any specific suggestions?
- Are there any additional matters that, in your experience, make the implementation of IFRSs 10, 11 and 12 challenging?

When responding to questions, please clarify if any matters arise only in particular circumstances (eg an industry or a jurisdiction)

## Phase I of PiR

- **Rest of 2019:** Outreach with IFRS Foundation Stakeholders
- 2020: present findings to the Board
- 2020 H1: issue Request for Information

# Get involved

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