

STAFF PAPER

November 2020

IASB® Meeting

Project	Post-implementation Review of IFRS 10 <i>Consolidated Financial Statements</i>, IFRS 11 <i>Joint Arrangements</i> and IFRS 12 <i>Disclosure of Interests in Other Entities</i>		
Paper topic	Due process steps undertaken in the first phase		
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Purpose of this paper

1. At its April 2020 meeting, the International Accounting Standards Board (Board) discussed the findings from the first phase of the Post-implementation Review of IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities* and agreed the matters to be examined further in the Request for Information.
2. This paper:
 - (a) summarises the Board's tentative decisions to date;
 - (b) summarises the due process steps undertaken in the first phase of the Post-implementation Review; and
 - (c) asks the Board:
 - (i) if it is satisfied that all mandatory due process steps required to date have been undertaken;
 - (ii) to approve a 180-day comment period for the Request for Information; and
 - (iii) to approve the publication of the Request for Information.

Structure of this paper

3. This paper is structured as follows:
- (a) summary of the Board’s tentative decisions (paragraphs 4–4(a));
 - (b) summary of due process steps undertaken to date (paragraphs 6–9);
 - (c) comment period (paragraphs 10–20);
 - (d) publication (paragraphs 21–22)
 - (e) next steps (paragraphs 23–24)
 - (f) staff recommendation (paragraph 25); and
 - (g) questions to the Board.

Summary of the Board’s tentative decisions

4. At its April 2020 meeting, the Board discussed the findings from the first phase of the Post-implementation Review undertaken between September 2019 and April 2020. The first phase of the review included:
- (a) reviewing the Board’s publications when IFRS 10, IFRS 11 and IFRS 12 were issued;
 - (b) reviewing submissions to the IFRS Interpretations Committee;
 - (c) reviewing amendments to IFRS 10, IFRS 11 and IFRS 12;
 - (d) more than 20 meetings with a broad range of stakeholders, for example, discussion with the Board’s consultative groups including Capital Markets Advisory Committee, Global Preparers Forum, Emerging Economies Group and Accounting Standards Advisory Forum; and
 - (e) reviewing academic research and other literature.

5. The Board agreed the following matters be examined further in the Request for Information:
- (a) IFRS 10:
 - (i) power over an investee, including relevant activities, rights that give an investor power over an investee and control without a majority of voting rights;
 - (ii) the link between power and returns, including principal and agent and non-contractual agency relationships;
 - (iii) investment entities, including criteria for identifying an investment entity and subsidiaries that are investment entities; and
 - (iv) accounting requirements for (i) transactions that give rise to a change in ownership; and (ii) the partial acquisition of a subsidiary that does not constitute a business.
 - (b) IFRS 11:
 - (i) collaborative arrangements outside the scope of IFRS 11;
 - (ii) classification of joint arrangements; and
 - (iii) accounting requirements for joint operations.
 - (c) IFRS 12, to what extent the requirements assist an entity to meet the objective of the Standard.

Summary of due process steps undertaken to date

6. The Board's due process requirements for a post-implementation review are set out in paragraph 6.48–6.59 of the *Due process Handbook* (Handbook).¹ Paragraph 6.52 requires the Board to be satisfied as a result of its initial consultation that it has sufficient information to establish the scope of the review.
7. The Board established the scope of the review as follows:
- (a) September 2019 the Board discussed the activities to be undertaken in the first phase of the Post-implementation Review.

¹ The Handbook can be found at [here](#).

- (b) September 2019–April 2020, work was undertaken to identify matters to be examined further, see paragraph 4.
 - (c) April 2020 the Board discussed the findings from the first phase of the Post-implementation Review and agreed the matters to be examined further in the Request for Information.
 - (d) June 2020–October 2020 the Board reviewed the draft Request for Information.
8. The Due Process Oversight Committee has been updated on the progress of the Post-implementation Review at its meetings in October 2019, February 2020 and June 2020.
9. In the staff’s view all necessary due process steps to establish the scope of the review have been completed.

Comment period

10. Paragraph 6.54 of the Handbook states that the Board normally allows a minimum of 120 days for comments on a request for information that is part of a post-implementation review.
11. Paragraphs 13–20 review the advantages and disadvantages of three alternative comment periods, 120 days, 150 days and 180 days, assuming the Request for Information is published in December 2020.
12. Having evaluated the alternatives and taking into consideration: (i) the impact of covid-19 on stakeholders’ availability to respond to the Request for Information; and (ii) potential synergies to perform outreach with other projects, a comment period of 180 days is recommended.

120 days

13. As stated in paragraph 10, the Board normally allows a minimum of 120 days for comments on a request for information. A 120-day comment period would normally be appropriate for the Request for Information, given we are not

requesting views on new proposals, as may be the situation for an exposure draft or a discussion paper.

14. However, a 120-day comment period that extends December 2020 to April 2021 needs to take into consideration that stakeholders' activities will be affected by covid-19, including staff working remotely and remote audits. Consequently, we do not recommend the minimum comment period of 120 days.

150 days

15. Whilst the Request for Information is not requesting views on new proposals it is asking for feedback on specific circumstances and is asking for examples. It is therefore important that stakeholders have adequate time to develop responses to the Request for Information. Extending the comment period beyond the minimum period will allow stakeholders to develop responses and address the concern that stakeholders' activities will be affected by covid-19.
16. A longer comment period will also assist stakeholders to co-ordinate feedback on several of the Board's consultation documents. Based on the Board's work-plan in the period December 2020 to April 2021 the following consultations will be open to comment:
 - (a) Discussion Paper: *Business Combinations—Disclosures, Goodwill and Impairment* out for comment until 31 December 2020;
 - (b) Business Combination under Common Control— expected to be out for comment November 2020 to July 2021;
 - (c) Lease Liability in a Sale and Leaseback— expected to be published November 2020; and
 - (d) Exposure Draft on Rate-regulated Activities— expected to be published January 2021.
17. The staff think that a 150-day comment period could be recommended but a 180-day comment period has the advantage of allowing staff to co-ordinate outreach activities with other projects and acknowledges the project is not time critical.

180 days

18. The Post-implementation Review is not a time critical project, in that there are not urgent matters to address. The outreach in the first phase of the Post-implementation Review identified that overall, the Standards work well in practice.
19. Given the project is not time critical a longer comment period could help stakeholders and staff co-ordinate outreach activities on the Request for Information with the Equity Method research project and the Discussion Paper on Business Combination under Common Control.
20. The staff are therefore recommending a 180-day comment period.

Publication

21. The staff considered the option to defer the publication date of the Request for Information, for example until the end of the comment period for the Discussion Paper *Business Combinations—Disclosures, Goodwill and Impairment*. To assist stakeholders during the covid-19 pandemic the Board decided to delay publication of the Request for Information from the first half of 2020 until December 2020. A further deferral risks a loss of project momentum and the research underlying the Request for Information becoming stale.²
22. Subject to the Board being satisfied it has completed the due process steps the staff recommend publication of the Request for Information.

Next steps

23. Subject to the Board's approval the Request for Information will be published in December 2020.

² See paragraph 25 in [Agenda Paper 8A](#) in the October 2020 Board meeting.

24. During the comment period, the staff plan to:
- (a) complete the review of academic literature and other research relevant to the matters to be examined further in the Request for Information;
 - (b) hold discussions with the Board's consultative groups and interested stakeholders on the matters to be examined further in the Request for Information; and
 - (c) analyse disclosures in financial statements provided by entities applying IFRS 12.

Staff recommendation

25. The staff recommend publication of the Request for Information and a comment period of 180 days.

Questions to the Board

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- 1 Is the Board satisfied that all mandatory due process steps required to date have been undertaken?
- 2 Does the Board agree with the staff recommendation of a 180-day comment period for the Request for Information?
- 3 Does the Board approve the publication of the Request for Information?