



IFRS® Foundation

# Post-implementation Review of IFRS 10, IFRS 11 and IFRS 12

Accounting Standards Advisory Forum meeting

ASAF Agenda Paper 5  
March 2021

# Purpose of this session

Agenda ref 5

## Purpose

Introduce the Request for Information to support ASAF members' outreach activities

Share initial views and feedback on the Request for Information among ASAF members

## Request for ASAF members

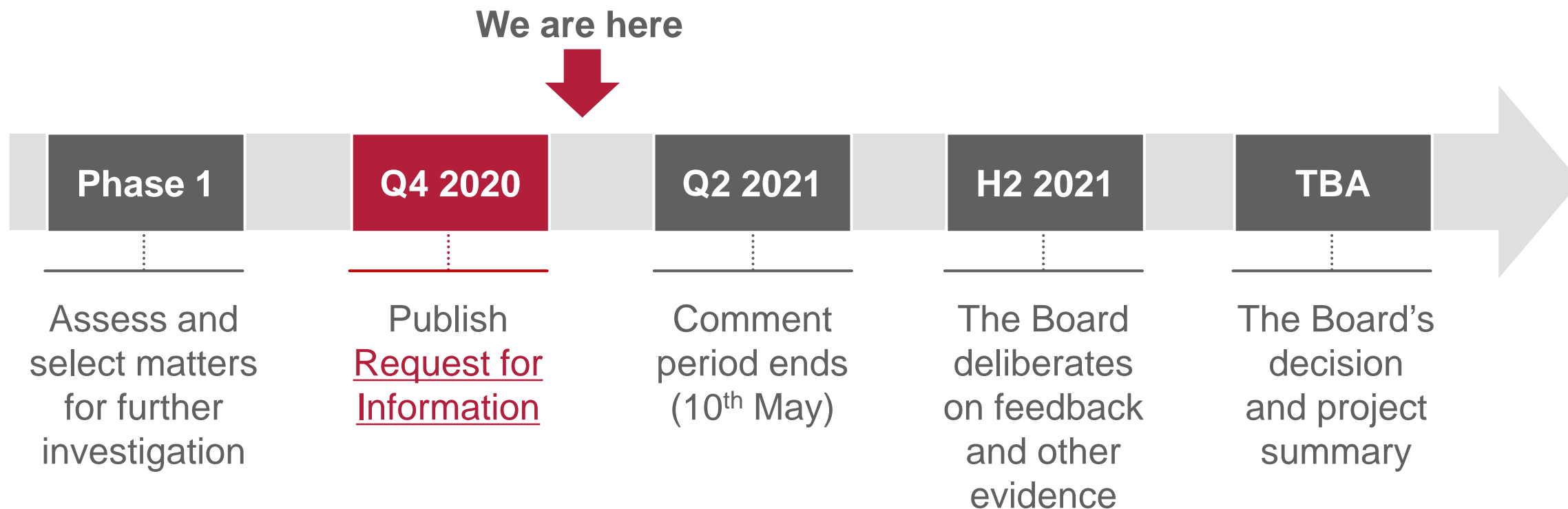
ASAF members are asked to consider matters examined in the Request for Information and share initial views and feedback at the meeting

A grayscale world map is the background for the slide. Overlaid on the map are several thick, light gray curved lines that sweep across the continents. Additionally, there are several dotted lines that form a grid-like pattern across the map, intersecting the curved lines.

# Introduction

# Timeline of the Post-implementation Review

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## Project outcome

The Board could decide to add a standard-setting project to its agenda, consider one or more matters further as part of its research programme, or both. The Board could also decide to take no action.

A grayscale world map is the background. Overlaid on the left side are several concentric, curved lines that sweep across the map. Some of these lines are solid, while others are composed of small white dots. The overall aesthetic is clean and professional.

# Matters in the Request for Information

# Categories of the matters

Agenda ref 5

Applying the Standards (page 7–15)

Gaps in the Standards (page 16–20)

Information needs (page 21)

Other matters

# Applying the Standards

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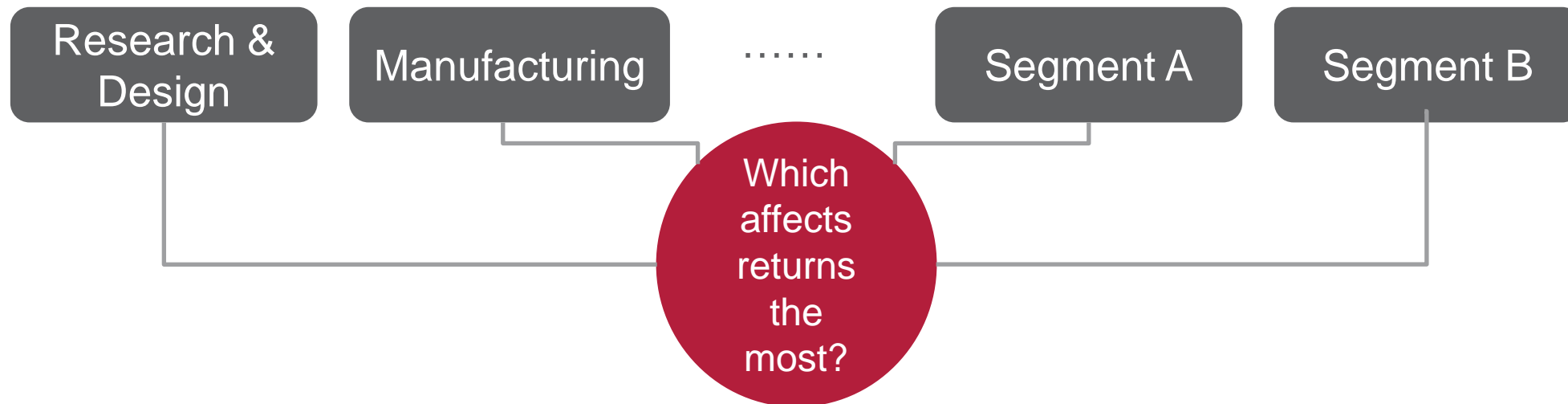
- 1 Identifying relevant activities
- 2 Rights that give an investor power
- 3 Control without a majority of the voting rights
- 4 Assessing if a decision maker acts as a principal or as an agent
- 5 Identifying non-contractual agency relationships
- 6 Identifying an investment entity (IE)
- 7 Accounting for subsidiaries of an IE that are IEs themselves
- 8 Classifying joint arrangements

\* We present in detail some of the matters due to time constraint of the meeting. All the matters in the Request for Information are of the same importance at this stage of the review.

# 1 Identifying relevant activities

## Feedback

Identifying relevant activities is challenging when two or more investors each have rights that give them the unilateral ability to direct **different activities**, especially when those activities occur at **different times** or are **conditional** on future events





## 2 Rights that give an investor power

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### Feedback

Assessing whether rights are **protective** is challenging. Can the guidance on how an investor **assesses** its own rights and rights of other parties be improved?

Appointment of  
key  
management  
personnel

Disposal of  
significant  
assets

Entering or  
exiting new  
markets

Agreeing  
financing  
arrangements

Appointment of  
board  
members, in  
case of breach  
of covenant

Approval of  
remuneration  
for key  
management  
personnel

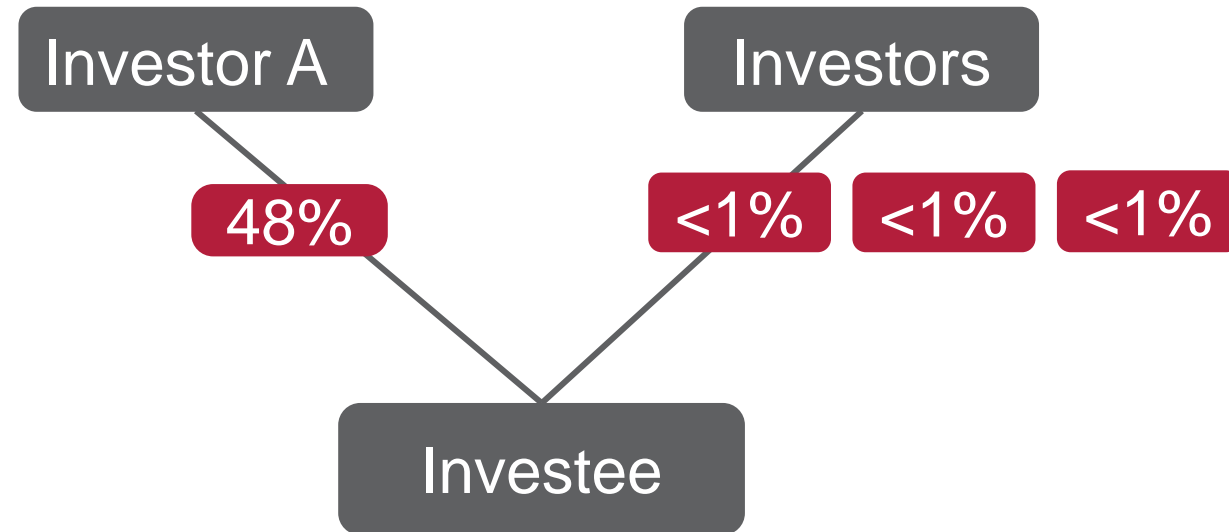


### 3 Control without a majority of the voting rights

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#### Feedback

Judgment is required to assess whether an investor has the **practical ability** to direct the investee's relevant activities because of the **size** of the investor's shareholding relative to the size and **dispersion** of the other shareholdings.



# Assessing if a decision maker acts as a principal or an agent

4

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## Feedback

Judgment is required to assess whether a decision maker's exposure to **variability of returns** is consistent with being an agent

Scope of investor's decision-making authority over the investee

Rights held by other parties

Remuneration agreement(s)

Decision maker's exposure to variability of returns from other interests it holds in the investee

Weightings shall be applied to each factor based on facts and circumstances

# Identifying non-contractual agency relationships

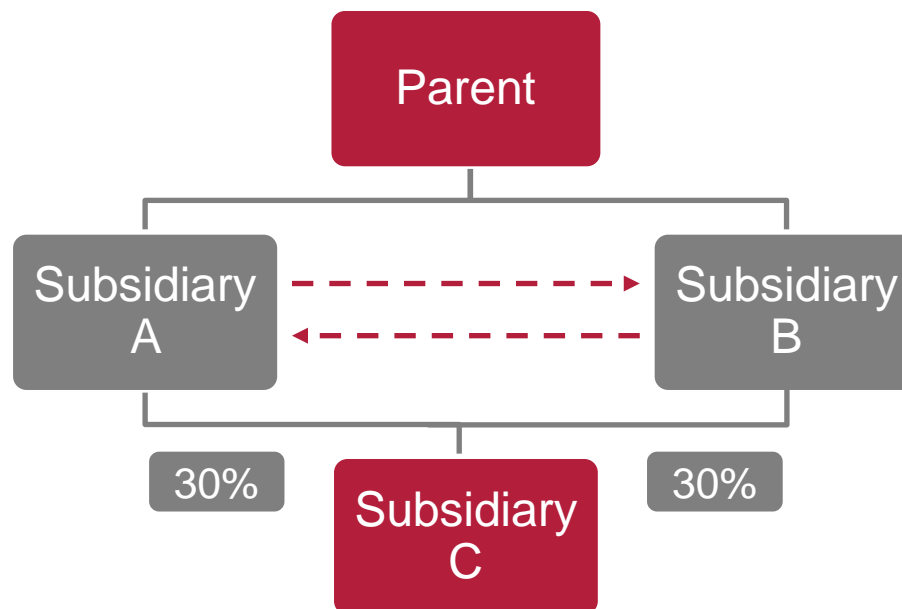
## 5 relationships

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### Feedback

Proving or disproving an **agency relationship** can be challenging when there is **no** contractual arrangement (a de facto agency relationship)

Does Subsidiary A or Subsidiary B have control of Subsidiary C?



## 6 Identifying an investment entity

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### Feedback

**Definition** of an investment entity may not be sufficiently robust. Stakeholders asked for clarification of some aspects of the definition.

#### Criteria

- Business purpose
- Exit strategy
- Fair value measurement

#### Characteristics

- more than one investment
- more than one investor
- investors that are not related parties of the entity
- ownership interests in the form of equity or similar interests

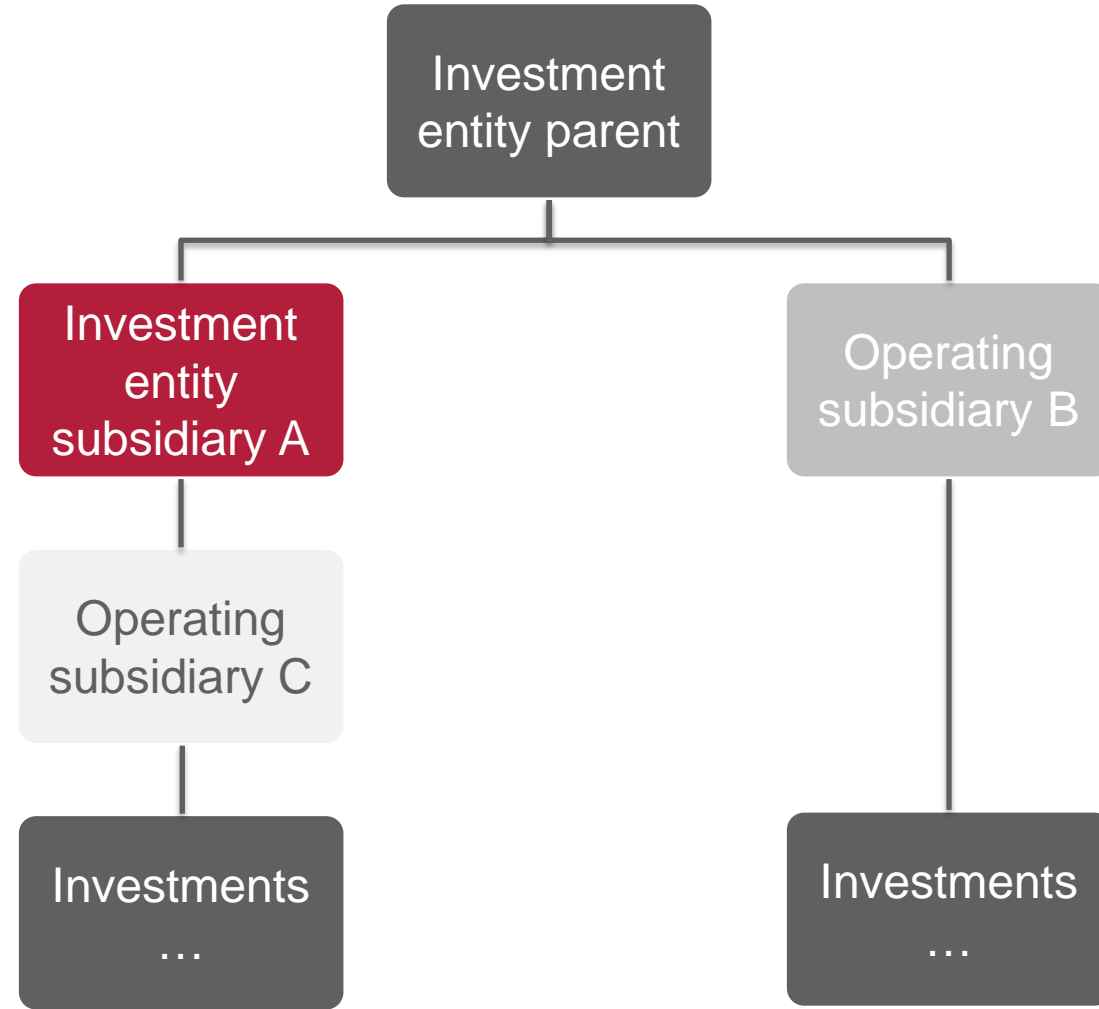
# Accounting for subsidiaries of an IE that are

## 7 IEs themselves

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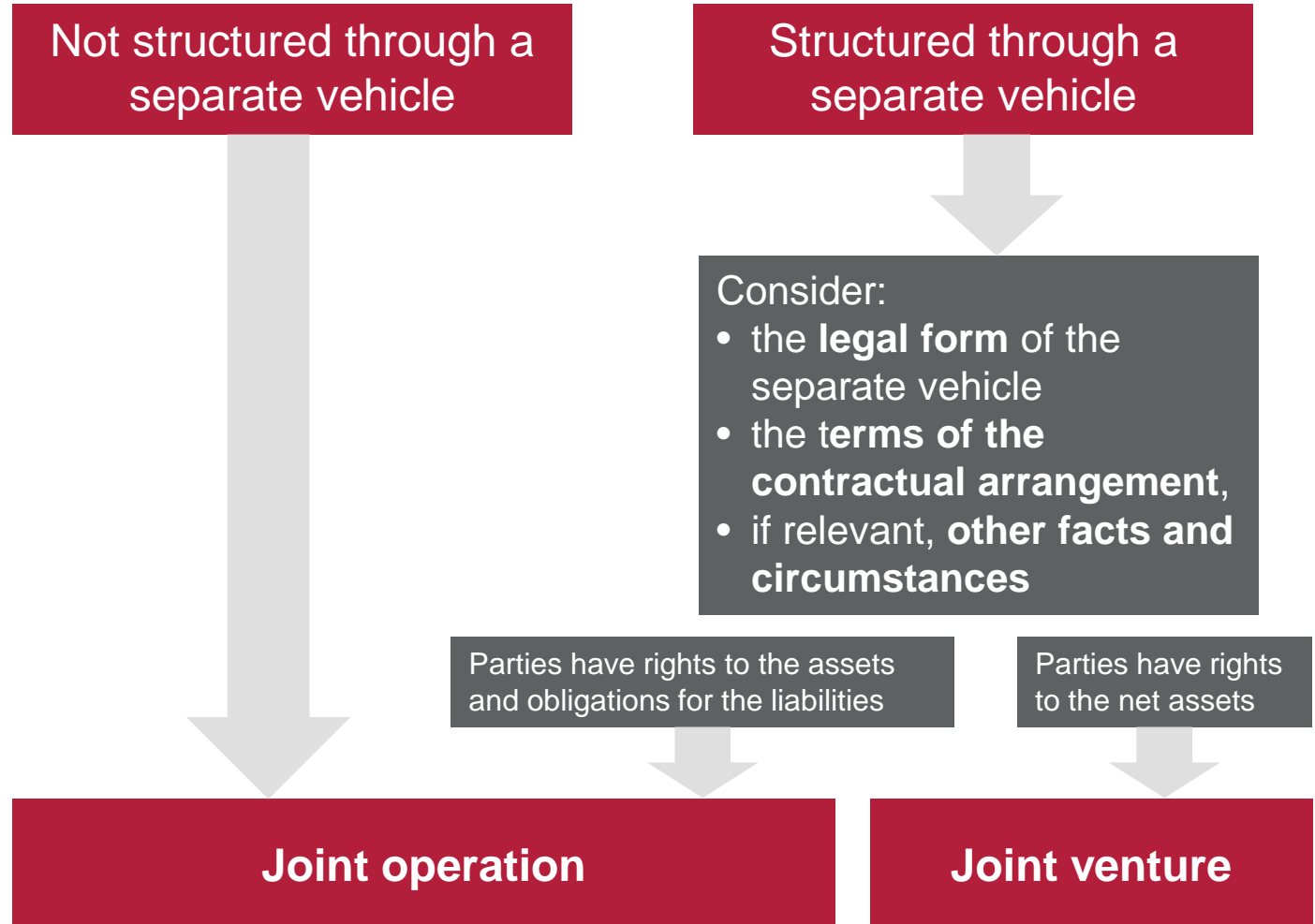
### Feedback

Measuring at fair value an **investment in a subsidiary** which is an investment entity itself (rather than consolidating the assets and liabilities of the subsidiary) results in loss of information



## Feedback

Classifying some joint arrangements requires significant judgement.



# Gaps in the Standards

Agenda ref 5

1

Gaps in the requirements on changes in the relationship between an investor and an investee

2

Partial acquisition of a subsidiary that does not constitute a business

3

Collaborative arrangements outside the scope of IFRS 11

4

Accounting requirements for joint operations

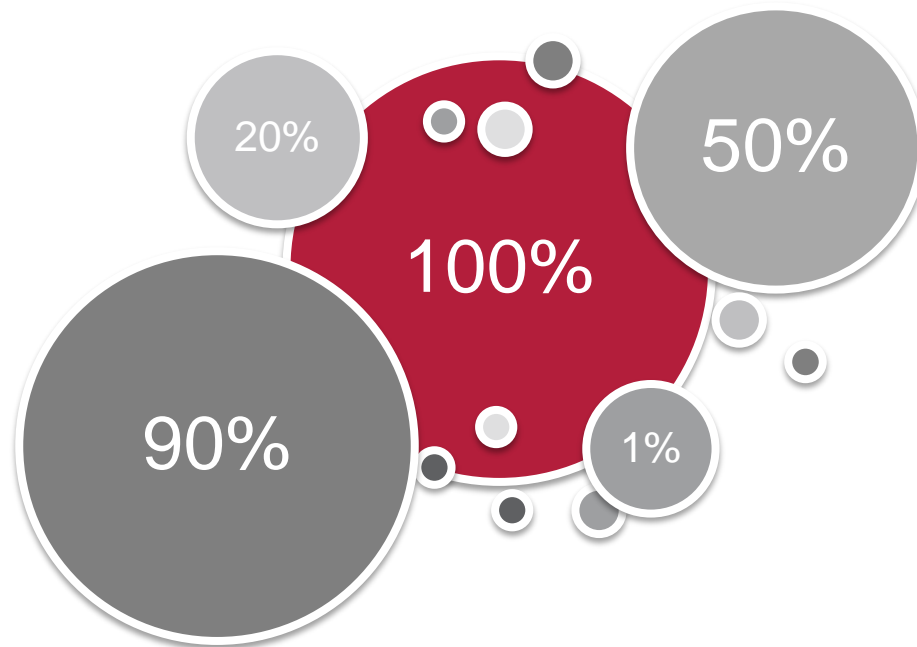


# Gaps in the requirements on changes in relationship between investor and investee

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## Feedback

Requirements on how to account for a transaction, event or circumstance that **alters the relationship** between an investor and an investee do not address all situations



# Partial acquisition of a subsidiary that does

## 2 not constitute a business

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### Feedback

IFRS Standards do not address the accounting for the **partial acquisition** of a subsidiary that does **not** constitute a **business**

Two practices:

- (a) allocate the consideration paid to the identifiable assets and liabilities acquired based on their relative fair values; or
- (b) apply the acquisition method in IFRS 3 *Business Combinations*



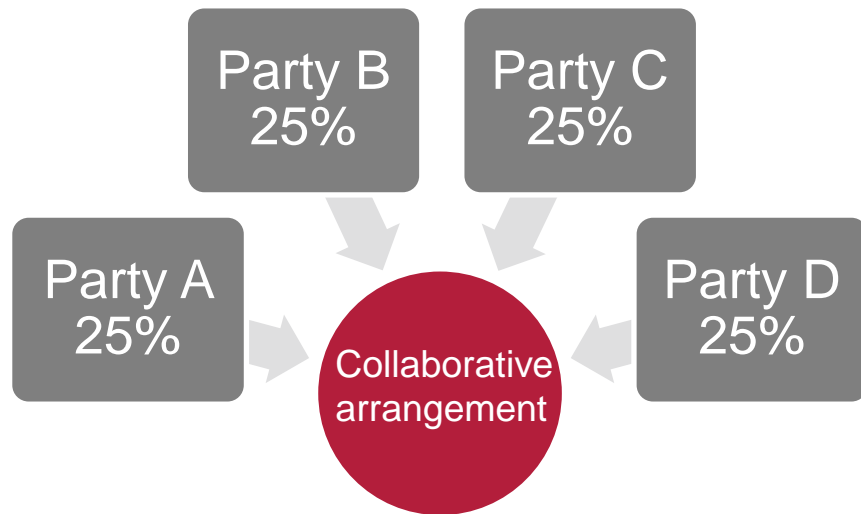
# Collaborative arrangements outside the scope

## 3 of IFRS 11

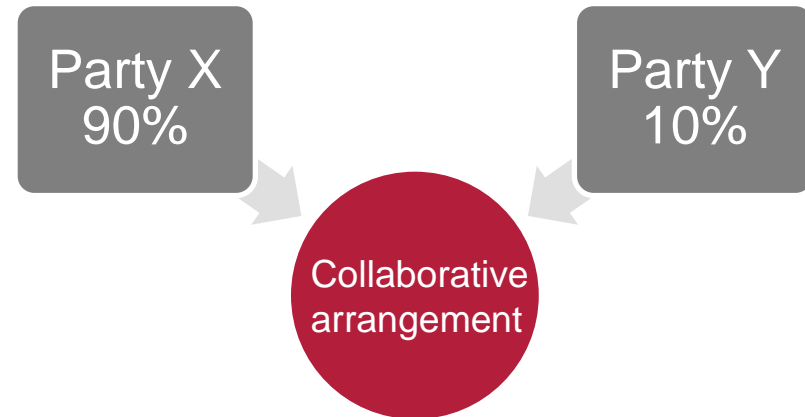
Agenda ref 5

### Feedback

IFRS Standards do not provide sufficient requirements for all types of collaborative arrangements, such as arrangements in which two or more parties manage activities together but do not have **joint control**



or

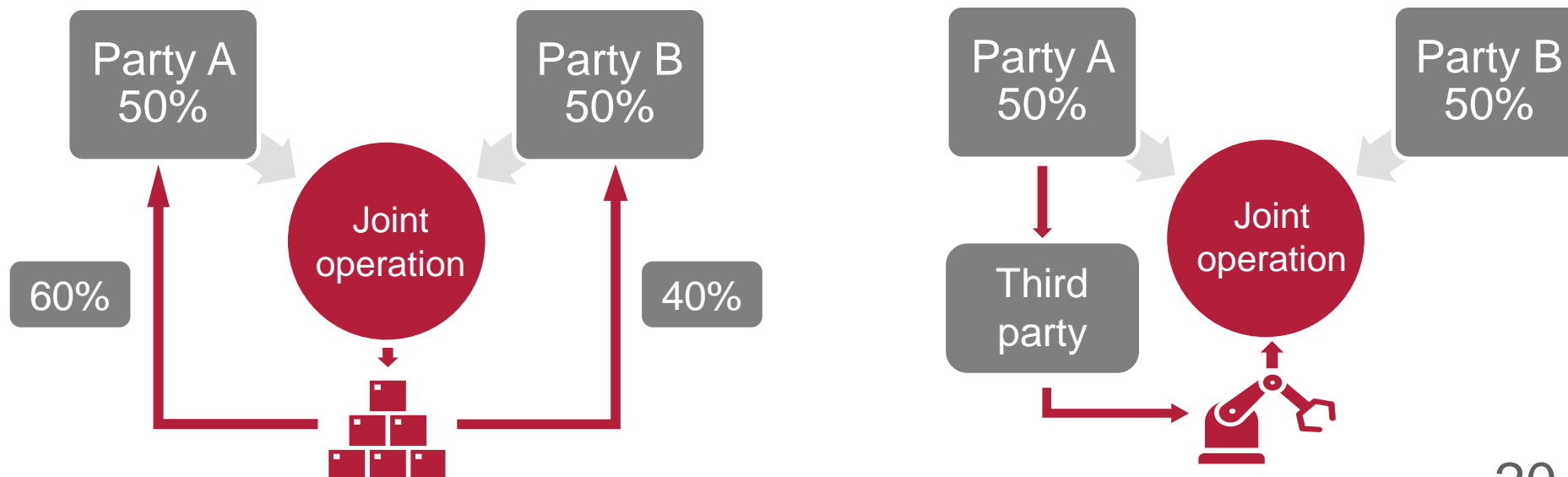


## 4 Accounting requirements for joint operations

Agenda ref 5

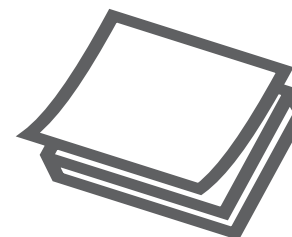
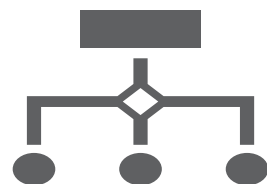
### Feedback

Further guidance is requested on accounting for joint operations in some situations, for example, when joint operators are committed to buying a share of output that differs from their share of ownership in the joint operation



## Feedback

There were relatively few comments on IFRS 12 requirements and feedback was mixed—some stakeholders called for additional disclosures while others argued that the disclosure requirements are excessive.



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