IAS 28 – Investments in Associates and Joint Ventures (March 2017)

Fund manager's assessment of significant influence

The Committee received a request to clarify whether a fund manager assesses significant influence over a fund that it manages and in which it has an investment, and, if so, how it makes this assessment. In the scenario described in the submission, the fund manager applies IFRS 10 Consolidated Financial Statements and determines that it is an agent and thus does not control the fund. The fund manager has also concluded that it does not have joint control of the fund.

The Committee observed that a fund manager assesses whether it has control, joint control or significant influence over a fund that it manages applying the relevant IFRS Standard, which in the case of significant influence is IAS 28.

The Committee noted that, unlike IFRS 10 in the assessment of control, IAS 28 does not address decision-making authority held in the capacity of an agent in the assessment of significant influence. When it issued IFRS 10, the Board did not change the definition of significant influence, nor any requirements on how to assess significant influence in IAS 28. The Committee concluded that requirements relating to decision-making authority held in the capacity of an agent could not be developed separately from a comprehensive review of the definition of significant influence in IAS 28.

In addition, the Committee observed that paragraph 7(b) of IFRS 12 Disclosure of Interests in Other Entities requires an entity to disclose information about significant judgements and assumptions it has made in determining that it has significant influence over another entity. The examples in paragraph 9 of IFRS 12 clarify that the requirement in paragraph 7(b) of IFRS 12 applies both when an entity has determined that it has significant influence over another entity and when it has determined that it does not.

The Committee concluded that it would be unable to resolve the question asked efficiently within the confines of existing IFRS Standards. Consequently, it decided not to add this matter to its standard-setting agenda.