International
Accounting Standards
Board

Financial Accounting
Standards Board

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INFORMATION FOR OBSERVERS

Board Meeting:	**Joint IASB-FASB Meeting, 27 April 2006, London**
Project:	**Business Combinations II**
Subject:	**Presentation and Disclosure of Noncontrolling Interests (IASB Agenda Paper 2C/FASB Memorandum #16)**

INTRODUCTION

1. In this memo, the staff presents a working draft of the proposed noncontrolling interest presentation and disclosures in the FASB and the IASB NCI EDs. The reason the staff is presenting this working draft at this time is to address the concerns expressed by some Board members and many respondents to the NCI EDs that particular disclosures might be repetitive or unnecessary or that the proposed disclosures would not meet the information needs of the common shareholders of the parent. However, the staff believes that the presentation and disclosures proposed in the NCI EDs add information and improve transparency to assist users of consolidated financial statements, including the common shareholders of the parent, in evaluating the effects of particular transactions presented in the consolidated financial

statements. Appendices A and B provide working drafts of consolidated financial statements that illustrate <u>one way</u> in which entities could satisfy the proposed disclosure requirements in accordance with U.S. GAAP and IFRSs, respectively.

2. The purpose of this memo is two-fold. The staff is asking the Boards:

(a) For general feedback and comments on the working draft of the financial statements in Appendices A and B. That is, whether anything in the working draft should be changed, modified, added or deleted.

(b) To the extent that the disclosures proposed in the FASB's NCI ED are not converged with the disclosures proposed in the IASB's NCI ED or in existing IFRSs, whether the Boards want to converge those disclosures at this time. The staff believes that even though the wording of the disclosures is not completely converged, the information presented would likely be the same. However, some respondents to the NCI EDs stated that the Boards should converge the disclosure requirements before the final NCI Statements are issued.

3. The Appendices are based on the proposed *presentation* and *disclosure* requirements in the FASB and IASB NCI EDs and incorporate the Boards' redeliberation decisions to date.[1]

4. This memorandum does <u>*not*</u> address noncontrolling interest issues related to recognition and measurement or earnings per share. However, the staff notes that additional disclosures or implementation guidance might result from future discussions related to those issues.

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[1] The Boards redeliberated the following noncontrolling interest issues at their March 2006 meetings:

(a) Nature and classification of noncontrolling interests in the consolidated balance sheet (Memo #12/Agenda Paper 2D)

(b) Accounting for subsequent acquisitions or dispositions of noncontrolling interests (changes in controlling ownership interests) (Section 2 of Memo #9/Agenda Paper 2B)

(c) Accounting for a loss of control of subsidiaries (Section 3 of Memo #9/Agenda Paper 2B)

(d) Presentation and disclosure of information about changes in controlling ownership interests (Memo #13/Agenda Paper 2E)

PROPOSED NONCONTROLLING INTERESTS PRESENTATION AND DISCLOSURE REQUIREMENTS

5. The remainder of this memo describes the presentation and disclosure requirements proposed in the NCI EDs, contrasts the proposals with current practice, and analyzes any comments received on the proposals (unless they were discussed already last month). The NCI EDs do not mandate a specific presentation format for meeting the disclosure requirements. The consolidated financial statements in Appendices A and B (and the excerpts of those statements highlighted in the memo) illustrate one way in which entities could satisfy the proposed disclosure requirements. The illustrative consolidated financial statements are a working draft of the implementation guidance that the staff expects to develop for the final NCI Statements. Because the financial statements are a working draft, the staff expects that the financial statements will be modified and improved during the course of redeliberations. In addition to seeking general feedback on Appendices A and B, the following sections outline several more specific questions for the Boards.

Presentation and Disclosure in the Consolidated Financial Statements

6. The following table describes the proposed disclosure requirements in the FASB NCI ED and the IASB NCI ED and existing IFRSs and highlights the differences in disclosure proposals/requirements. The staff and some respondents to the NCI EDs believe that the disclosure requirements should be converged. Therefore, the staff will be asking the Boards to reconsider the disclosures where differences have been noted.

7. In addition to asking the Boards for general comments on the working draft in Appendices A and B, this table summarizes the questions the staff will be asking the Boards to consider. For more detail about why the staff is asking these questions, please refer to the discussion in the paragraphs related to the issue (paragraph references are listed in column five).

Proposed Requirement	**FASB NCI ED**	**IASB NCI ED**	**Difference**	**Memo/ Agenda Paper Reference**	**Question(s) for the Boards**
Presentation of noncontrolling interests as equity, separately from parent shareholders' equity	Proposed requirement (paragraph 20)	Already required in IAS 27 (paragraph 33)	None – Both Boards affirmed in March 2006	Paragraphs 8 and 9	N/A
Disclosure of consolidated net income attributable to both the controlling and the noncontrolling interests on the face of the consolidated income statement	Proposed requirement (paragraph 30(a))	Already required in IAS 1 (paragraph 82)	None	Paragraphs 10–14	N/A
Disclosure of consolidated comprehensive income (FASB) / total income and expense (IASB) attributable to controlling and noncontrolling interests on the face of a consolidated financial statement	Proposed requirement (paragraph 30(a))	Already required in IAS 1 (paragraph 96(c))	Requirement is effectively the same. (FASB requires disclosure on the *face of a consolidated financial statement;* IASB requires disclosure on the *face of the statement of changes in equity)*	Paragraphs 15–17	N/A

Proposed Requirement	FASB NCI ED	IASB NCI ED	Difference	Memo/ Agenda Paper Reference	Question(s) for the Boards
Disclosure of amounts attributable to the *controlling interest* for (a) income from continuing operations, (b) discontinued operations, (c) extraordinary items (FASB only), and (d) components of other comprehensive income/items of income or expense recognised in equity	Proposed requirement (paragraph 30(b))	Proposed requirement (amended paragraph 33(d) of IFRS 5 and amended paragraph 97(b) of IAS 1)	Requirement is effectively the same (IFRSs do not report extraordinary items)	Paragraphs 18–24	*Do the Boards affirm that only the amounts attributable to the controlling interest should be required to be disclosed?*
Disclosure of a reconciliation of the controlling and noncontrolling interests and total equity	Proposed requirement (paragraph 30(c))	Proposed requirement (amended paragraph 97 of IAS 1)	The FASB NCI ED only would require a reconciliation of the noncontrolling interest, while the IASB NCI would also require a reconciliation of total equity and the controlling interest. Other requirements are effectively the same.	Paragraphs 25–29	*Does the FASB also want to require the reconciliation for total equity and equity attributable to the controlling interest (as proposed in the IASB NCI ED)?*
Disclosure of a separate schedule that shows the effects of any transactions with the noncontrolling interest on the	Proposed requirement (paragraph 30(d))	No proposed requirement	In March 2006, the IASB decided not to require a separate schedule. However,	Paragraphs 30–41	*Does the IASB want to reconsider whether entities should be required to disclose the*

Proposed Requirement	**FASB NCI ED**	**IASB NCI ED**	**Difference**	**Memo/ Agenda Paper Reference**	**Question(s) for the Boards**
equity attributable to the controlling interest			the FASB affirmed that a separate schedule should be required.		*effects of any transactions with the noncontrolling interest on the equity attributable to the controlling interest in a separate schedule in the notes to the financial statements?* *Alternatively, does the FASB want to reconsider whether such an additional schedule should be required?*
Disclosure of the remeasurement gain or loss if control of a subsidiary is lost	Proposed requirement (paragraph 31)	Proposed requirement (paragraph 40(g))	The FASB proposed disclosure of the line item in the income statement where the gain or loss is recognized.	Paragraphs 42–45	*Does the IASB want to consider requiring disclosure of the line item in the income statement where the gain or loss is recognized?*

Presenting Noncontrolling Interests in the Consolidated Statement of Financial Position

8. Both Boards affirmed at their March 2006 meetings that noncontrolling interests in the net assets of consolidated subsidiaries should be classified in the consolidated statement of financial position within equity, separately from the parent shareholders' equity. IAS 27 *Consolidated and Separate Financial Statements* already requires this presentation. However in the United States, diversity in practice exists. In the United States, noncontrolling interests most often are presented as a mezzanine item between liabilities and equity, but also are presented by some entities as liabilities or as equity.

9. The Consolidated Statements of Financial Position in Exhibits 1 of Appendices A and B illustrate presenting noncontrolling interests in subsidiaries as a separate component of equity and Exhibit 1 of Appendix A also highlights the change from current U.S. practice.

Disclosing Consolidated Net Income Attributable to Controlling and Noncontrolling Interests

10. The FASB NCI ED (paragraph 30(a)) proposes that a parent with one or more partially owned subsidiaries shall disclose separately, <u>on the face of the consolidated income statement</u>, *total consolidated net income and consolidated net income attributable to the controlling interest and to the noncontrolling interest.* In current U.S. practice, entities present noncontrolling interests as an expense included in the calculation of consolidated net income. (Exhibit 2 of Appendix A also highlights the change from current U.S. practice.)

11. Some respondents to the FASB NCI ED stated that the current U.S. practice of deducting noncontrolling interests as an expense to arrive at consolidated net income should be retained. Those respondents also generally believe that noncontrolling interests in a subsidiary are not equity and reported net income should be the amount of income attributable to the controlling interest.

12. IAS 1 *Presentation of Financial Statements* (paragraph 82) already requires profit or loss attributable to the noncontrolling interest and to equity

holders of the parent to be separately disclosed on the face of the consolidated income statement.

13. Neither the FASB NCI ED nor the IASB NCI ED mandate a specific income statement display. One display alternative is to present net income attributable to the noncontrolling interest as a deduction from consolidated net income to arrive at the amount attributable to the controlling interest (FASB NCI ED display). A second display alternative is to present total profit or loss and separately display the amount attributable to the noncontrolling interest and the amount attributable to the controlling interest as allocations of the total (IAS 1 display). The Boards previously discussed and agreed not to mandate a specific display.

14. The following excerpts from the Consolidated Income Statements in Exhibits 2 of Appendices A and B illustrate the two different formats.

FASB NCI ED Format

Consolidated net income	113,760
Consolidated net income attributable to noncontrolling interest in subsidiary	(28,790)
Consolidated net income attributable to shareholders of parent	84,970

IAS 1/IASB NCI ED Format

Profit for the year	113,760
Attributable to:	
Equity holders of the parent	84,970
Non-controlling interest	28,790

Disclosing Consolidated Comprehensive Income Attributable to Controlling and Noncontrolling Interests[2]

15. The FASB NCI ED (paragraph 30(a)) proposes that a parent with one or more partially owned subsidiaries disclose separately, on the face of a consolidated financial statement, *total consolidated comprehensive income and consolidated comprehensive income attributable to both the controlling*

[2] The IFRSs equivalent of comprehensive income is total income and expense (the sum of profit or loss and income and expense recognised directly in equity). This memo uses the terms *comprehensive income* and *total income and expense* interchangeably.

interest and to the noncontrolling interest. FASB Statement No. 130, *Reporting Comprehensive Income,* does not mandate a specific format for presenting comprehensive income; entities are allowed to present comprehensive income in a single statement that reports results of operations in a separate statement of comprehensive income that begins with net income or present in the statement of changes in equity (paragraph 22). In current U.S. practice, entities appear to present *consolidated* comprehensive income amounts only, although there might be some diversity in practice.

16. IAS 1 (paragraph 96(c)) requires entities to present on the face of the statement of changes in equity:[3] total income and expense for the period, showing separately the total amounts attributable to equity holders of the parent and to noncontrolling interest.

17. The Consolidated Statements of Changes in Equity in Exhibits 3 of Appendices A and B illustrate how entities could meet this requirement.

Disclosing Amounts Attributable to the Controlling Interest

18. The FASB NCI ED (paragraph 30(b)) proposes that a parent with one or more partially owned subsidiaries disclose, either in the notes or on the face of the financial statements, amounts attributable to the *controlling interest* for the following, if reported in the financial statements:

(a) Income from continuing operations

(b) Discontinued operations

(c) Extraordinary items[4]

(d) Components of other comprehensive income.

[3] The staff notes that the Exposure Draft of proposed amendments to IAS 1 issued on 16 March 2006 proposes to require entities to present a statement of recognised income and expense, separately presenting total recognised income and expense for the period attributable to the noncontrolling interest and to equity holders of the parent on the face of the statement.

[4] IFRSs do not report extraordinary items.

19. The IASB NCI ED (amended paragraph 33(d) of IFRS 5) proposes that an entity shall disclose, either in the notes or on the face of the financial statements, the amount attributable to the *equity holders of the parent* from the following:

(a) Income from continuing operations (amended paragraph 33(d) of IFRS 5)

(b) Income from discontinued operations (amended paragraph 33(d) of IFRS 5)

(c) Each item of income or expense recognized directly in equity (amended paragraph 97(b) of IAS 1)

20. In current U.S. practice, it is not clear how those items are being presented in consolidated financial statements of entities with one or more partially owned subsidiaries. Under IAS 1 (paragraph 96) and IFRS 5 (paragraph 33), entities are only required to disclose the total consolidated amounts of those items.

21. Several respondents to the NCI EDs questioned why amounts attributable to the controlling interest should be presented and not amounts attributable to the noncontrolling interest. The staff believes that simple subtraction would provide the information attributable to the noncontrolling interest if a user was interested in that information. In addition, the noncontrolling interest can obtain information from the financial statements of the subsidiary in which it has an interest.

22. The following excerpts from the Consolidated Income Statements in Exhibits 2 of Appendices A and B illustrate one way in which entities could meet the proposed requirement to disclose the *income statement* amounts attributable to the controlling interest.

FASB:
Supplemental Information That Would Be Presented Under the FASB NCI ED
Year Ended December 31, 20X2

Income from continuing operations, net of tax, attributable to shareholders of parent	90,570
Less: Discontinued operations, net of tax, attributable to shareholders of the parent	(5,600)
Net income attributable to shareholders of the parent	84,970

IASB:
Supplemental Information That Would Be Presented Under the NCI ED
Year ended 31 December 20X2

Income from continuing operations, net of tax, attributable to equity holders of the parent	90,570
Less amounts attributable to equity holders of the parent for discontinued operations, net of tax	(5,600)
Net income attributable to equity holders of the parent	84,970

23. The following excerpts from the Consolidated Statements of Changes in Equity in Exhibits 3 of Appendices A and B illustrate how entities could meet the proposed requirement to disclose the components of other comprehensive income amounts attributable to the controlling interest.

FASB:

	Equity Attributable to Shareholders of Parent					
	Retained Earnings	Accumulated Other Comprehensive Income	Common Stock	Preferred Stock	Paid-in Capital	Total
	CU	CU	CU	CU	CU	CU
Comprehensive income:						
Net income (loss)	84,970					84,970
Other comprehensive income (loss), net of tax:						
Unrealized gains on securities (net of reclassification adjustment)		(16,000)				(16,000)
Foreign currency translation adjustment		4,800				4,800
Other comprehensive income (loss)	-	(11,200)				(11,200)
Comprehensive income	84,970	(11,200)				73,770

IASB:

	Common shares	Preferred shares	Share premium	Retained earnings	Other reserves	Total
	Attributable to equity holders of the parent					
Changes in equity from recognised income and expense						
Unrealised gains on available-for-sale investments (net of reclassification adjustment)					(16,000)	(16,000)
Exchange differences on translating foreign operations					4,800	4,800
Net income recognised directly in equity					(11,200)	(11,200)
Profit for the year				84,970	-	84,970
Total recognised income and expense for the year				84,970	(11,200)	73,770

24. *Do the Boards affirm that only the amounts attributable to the controlling interest should be required to be disclosed either on the face of the consolidated financials statements or in the notes?*

Disclosing a Reconciliation of the Controlling and Noncontrolling Interest

25. The IASB NCI ED (amended paragraph 97 of IAS 1) proposes to require entities to present, either on the face of the statement of changes in equity or in the notes, separately for total equity, equity attributable to equity holders of the parent and noncontrolling interest, a reconciliation of the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:

(a) profit or loss;

(b) transactions with equity holders acting in their capacity as equity holders, showing separately distributions to equity holders; and

(c) each item of income or expense recognised directly in equity, if any.

26. The FASB NCI ED (paragraph 30(c)) proposes to require a similar reconciliation in the statement of changes in equity (if presented, otherwise in the notes), but only for the noncontrolling interest.

27. Several respondents to the FASB NCI ED stated that a reconciliation is unnecessary because they do not believe that noncontrolling interests are equity.

28. The Consolidated Statements of Changes in Equity in Exhibits 3 of Appendices A and B illustrate one way in which entities could meet this proposed disclosure requirement.

29. *Does the FASB also want to require the reconciliation for total equity and equity attributable to the controlling interest (as proposed in the IASB NCI ED)?*

Disclosure of Transactions Affecting Noncontrolling Interests

Changes in Controlling Ownership Interests

30. Both Boards affirmed in their March 2006 meetings that changes in controlling ownership interests (that is, subsequent acquisitions or dispositions of noncontrolling interests without a change in control) should be accounted for as equity transactions. Therefore, any difference between the fair value of the consideration paid or received and the carrying amount of the noncontrolling interest would be recognized in additional paid-in capital/directly in equity. Therefore, such transactions would be presented in the consolidated statement of changes in equity.

31. Under Statement 141, increases in controlling ownership interests are recognized as an additional purchase layer (that is, remeasurement of the net assets of the subsidiary for the ownership percentage acquired and recognition of additional purchased goodwill) in the consolidated statement of financial position. Decreases in controlling ownership interests generally result in a gain or loss being recognized in the consolidated income statement.[5]

32. The Consolidated Income Statements in Exhibits 2 of Appendices A and B illustrate the current practice of recognizing a gain or loss for a decrease in controlling ownership interests in net income/profit or loss. Under the proposals, the effects of a decrease in controlling ownership interests are

[5] IAS 27 does not provide specific guidance for accounting for changes in controlling ownership interests. Through an analysis of the comment letters received, it appears that many entities using IFRSs are accounting for changes in controlling ownership interests similarly to those entities applying U.S. GAAP.

presented in the Consolidated Statement of Changes in Equity, which is illustrated in Exhibits 3 of Appendices A and B.

33. The FASB NCI ED also proposed requiring entities to disclose, in notes to the consolidated financial statements, a separate schedule that shows the effects of any transactions with the noncontrolling interest on the equity attributable to the controlling interest. At its March 2006 meeting, the FASB affirmed this proposal. Part of the FASB's basis for requiring such a schedule is that only SEC registrants are required to present a statement of changes in equity. However, the staff notes that the financial statement presentation project (formerly performance reporting project) has proposed requiring all entities to present a statement of changes in equity.

34. At its March 2006 meeting, the IASB considered the proposed supplementary schedule. The IASB asked the staff to bring back a revised supplementary schedule at the April joint meeting.

35. Several IASB members stated that the supplementary schedule should include all wealth transfers affecting the existing common shareholders of the parent entity, not only the effects of changes in controlling ownership interests. However, several of those IASB members stated that the development of a broader schedule of all wealth transfers between existing parent entity common shareholders and other equity participants should be discussed in the financial statement presentation project, rather than in the business combinations project.

36. The staff agrees with the Board members who stated that developing a broader schedule is outside the scope of the business combinations project. However, the staff does not believe that precludes the Board from requiring disclosure about the effects on parent entity shareholders of changes in controlling ownership interests in the business combinations project before the broader schedule is discussed at a later date in the financial statement presentation project.

37. Several IASB members stated that the supplementary schedule is not necessary because all of the information is available in the statement of

changes in equity. The staff agrees that all of the amounts in the supplementary schedule would be available in the statement of changes in equity. However, IASB respondents have asked the IASB to require a supplementary schedule displaying the information more prominently and more clearly identifying the gain or loss on a decrease in controlling ownership interests that would have been recognized previously in profit or loss. The staff believes that requiring entities to include such a schedule imposes a relatively low cost on those entities with noncontrolling interests and is perceived by many respondents to be beneficial.

38. IASB members also expressed concern with some of the labels used in the supplementary schedule presented at the March 2006 meeting. The staff has modified the supplementary schedule in Exhibit 4 of Appendix B to address those concerns.

39. The FASB NCI ED does not mandate a format for the supplementary schedule. Exhibit 4 of Appendix A illustrates the format of the supplementary schedule that was presented in Appendix G of IASB Agenda Paper 2E/FASB Memorandum #13 for the March 2006 Board meetings.

40. *Does the IASB want to reconsider whether entities should be required to disclose the effects of any transactions with the noncontrolling interest on the equity attributable to the controlling interest in a separate schedule in the notes to the financial statements?*

41. *Does the FASB want to reconsider whether such an additional schedule should be required?*

Loss of Control of a Subsidiary

42. At their March 2006 meetings, the Boards affirmed that if a parent loses control of a subsidiary but retains a noncontrolling equity investment in the former subsidiary, the retained noncontrolling equity investment should be remeasured to fair value and any gain or loss on such remeasurement should be recognized in net income/profit or loss. The FASB also affirmed that the amount of any remeasurement gain or loss and the line item in the income statement where the gain or loss is recognized should be disclosed. The

IASB NCI ED did not propose to require the line item where the gain or loss is recognized to be disclosed. The IASB did not vote on the disclosure requirements at the March meeting.

43. In current practice, retained investments in former subsidiaries are not remeasured to fair value at the date control of a subsidiary is lost. As a result, the Board's decision on the accounting for the loss of control of a subsidiary will result in a gain or loss being recognized in the income statement where none would have been reflected previously in the financial statements.

44. The staff believes that such disclosure would bring transparency to the gain or loss recognized and should mitigate concerns expressed by several respondents and Board members that management has discretion in triggering the recognition of any accumulated gain or loss on its investment in a subsidiary by selling a small part of its investment.

45. *Does the IASB want to consider requiring disclosure of the line item in the income statement where the gain or loss is recognized?*

BASIC ASSUMPTIONS FOR APPENDICES A AND B

46. The financial statements in Appendices A (FASB) and B (IASB) illustrate the differences between current practice and the proposals in the NCI EDs for *presenting* and *disclosing* noncontrolling interests in subsidiaries. For simplicity, the financial statements do not illustrate the differences related to the *initial recognition of the partially owned subsidiary*. For example, the recognized amounts for assets, liabilities, and goodwill would be different in current practice versus the proposals because of differences in the purchased layers versus the acquisition date fair values. The financial statements presented in Appendices A and B are based on the following assumptions:

Parent has one foreign subsidiary, Subsidiary A.

(a) As of December 31, 20X1, Parent owns 80 percent of Subsidiary A.

(b) On July 1, 20X2, Parent sells a portion of its shares in Subsidiary A to a third party and decreases its interest in Subsidiary A to 70 percent. Parent continues to control Subsidiary A after the transaction.

Cash proceeds	CU 17,000
Carrying value of interest sold	CU 16,910
Other comprehensive income included in carrying value of interest sold	CU 1,870

(c) On January 1, 20X2, Subsidiary A sells available-for-sale securities and the gains recognised directly in equity/accumulated other comprehensive income of CU 20,000, net of tax, are reclassified to profit/net income.

(d) In 20X2, Subsidiary A has foreign currency translations adjustments of CU 6,000.

APPENDIX A – EXHIBIT 1

U.S. GAAP Consolidated Statement of Financial Position
December 31, 20X2

Reference		FASB NCI ED Approach CU	Current US GAAP Approach CU
	Assets:		
	Total assets	1,516,010	1,516,010
	Liabilities:		
	Total liabilities	532,750	532,750
	Noncontrolling interest in subsidiaries		***91,500***
	Equity:		
	Shareholders of parent:		
	Common stock, $1 par	200,000	200,000
	Preferred stock, $1 par	50,000	50,000
	Paid-in capital	401,960	400,000
	Retained earnings	230,870	232,830
	Accumulated other comprehensive income	8,930	8,930
	Total equity attributable to shareholders of parent	891,760	891,760
NCI ED.20	***Noncontrolling interest in subsidiaries***	***91,500***	
	Total equity	983,260	891,760
	Total liabilities and equity	1,516,010	1,516,010

APPENDIX A – EXHIBIT 2

U.S. GAAP Consolidated Income Statement
Year Ended December 31, 20X2

Reference		FASB NCI ED Approach CU	Current US GAAP Approach CU	
	Revenues	170,000	170,000	
	Expenses	(35,000)	(35,000)	
	Realized gain on sale of available-for-sale securities	26,667	26,667	
	Gain on sale of investment in subsidiary	-	***1,960***	
	Income from continuing operations, before tax	161,667	163,627	
	Income tax expense	(40,907)	(40,907)	
	Income from continuing operations, after tax	120,760	122,720	
	Discontinued operations, net of tax	(7,000)	(5,600)	
	Noncontrolling interest in subsidiary expense, net of tax	-	***(30,190)***	*
NCI ED.30(a)	Consolidated net income	113,760	86,930	
NCI ED.30(a)	***Consolidated net income attributable to noncontrolling interest in subsidiary***	***(28,790)***	-	
NCI ED.30(a)	Consolidated net income attributable to shareholders of parent	84,970	86,930	
	Preferred stock dividend	(5,000)	(5,000)	
	Consolidated net income attributable to shareholders of parent	79,970	81,930	

Supplemental Information That Would be Presented Under the FASB NCI ED
Year Ended December 31, 20X2

		FASB NCI ED Approach	
NCI ED.30(b)(1)	Income from continuing operations, net of tax, attributable to shareholders of parent	90,570	
NCI ED.30(b)(2)	Less: Discontinued operations, net of tax, attributable to shareholders of the parent	(5,600)	**
	Net income attributable to common shareholders of the parent	84,970	

*Difference between noncontrolling interest reported under current U.S. GAAP and under proposals relates to CU 1,400 discontinued operations attributable to noncontrolling interest.

** This information may be disclosed on the face of the consolidated income statement or in notes to the consolidated financial statements.

APPENDIX A – EXHIBIT 3

U.S. GAAP Consolidated Statement of Changes in Equity (modified from version in FASB NCI ED)
Year Ended December 31, 20X2

Reference		Retained Earnings	Accumulated Other Comprehensive Income	Common Stock	Preferred Stock	Paid-in Capital	Total	Noncontrolling Interest*	Consolidated
		Equity Attributable to Shareholders of Parent							
Reference		CU	CU	CU	CU	CU	CU	CU	CU
	Beginning balance	160,900	22,000	200,000	-	400,000	782,900	48,600	831,500
	Comprehensive income:								
NCI ED 30(b)(5)	Net income (loss)	84,970					84,970	28,790	113,760
	Other comprehensive income (loss), net of tax:								
NCI ED 30(b)(5)	Unrealized gains on securities (net of reclassification adjustment)		(16,000)				(16,000)	(4,000)	(20,000)
NCI ED 30(b)(5)	Foreign currency translation adjustment		4,800				4,800	1,200	6,000
	Other comprehensive income (loss)	-	(11,200)				(11,200)	(2,800)	(14,000)
NCI ED 30(a)	Comprehensive income	84,970	(11,200)				73,770	25,990	99,760
	Changes in Equity from Transactions with Parent Entity Shareholders								
	Issuance of preferred stock				50,000		50,000		50,000
	Dividends declared on common stock	(10,000)					(10,000)		(10,000)
	Dividends declared on preferred stock	(5,000)			-		(5,000)		(5,000)
	Subtotal	(15,000)			50,000		35,000		35,000
	Changes in Equity from Transactions with Noncontrolling Interests								
	Sale of subsidiary stock to noncontrolling interest		(1,870)			1,960	90	16,910	17,000
	Subtotal	-	(1,870)	-	-	1,960	90	16,910	17,000
	Balance at December 31, 20X2	230,870	8,930	200,000	50,000	401,960	891,760	91,500	983,260

*If an entity classifies noncontrolling interests as liabilities or mezzanine items (such as in current U.S. practice), the noncontrolling interests column would not be presented in the Statement of Changes in Equity.

APPENDIX A – EXHIBIT 4

U.S. GAAP Notes to Consolidated Financial Statements
Net Income Attributable to Shareholders of Parent and Transfers (to) from Noncontrolling Interest
Year Ended December 31, 20X2

Reference			Modified FASB NCI ED CU
	Consolidated net income		**113,760**
	Less: Consolidated net income attributable to noncontrolling interest		(28,790)
	Consolidated net income attributable to shareholders of parent		**84,970**
	Transfers from the noncontrolling interest:		
	Sale of a 10% Interest in Subsidiary		
NCI ED 30(d)	Proceeds from sale	17,000	
NCI ED 30(d)	Plus: Reallocation of accumulated other comprehensive income	1,870	
NCI ED 30(d)	Less: Carrying amount of sold interest	(16,910)	
NCI ED 30(d)	Premium received from sale of subsidiary shares to noncontrolling interest	1,960	
NCI ED 30(d)	Net transfers from noncontrolling interest in subsidiary		1,960
	Change from net income attributable from shareholders of parent and transfers from noncontrolling interest in subsidiary		**86,930**

*At its March meeting, the FASB affirmed the proposal in its NCI ED to require a separate schedule, in the notes to the financial statements, that shows the effects of any transactions with the noncontrolling interest on the equity attributable to the controlling interest. The IASB asked the staff to bring back a revised schedule to the April meeting.

APPENDIX B – EXHIBIT 1

IFRS Consolidated Balance Sheet
as at 31 December 20X2

Reference		NCI ED Approach CU	Current IFRSs Approach* CU
	ASSETS		
	Total assets	1,516,010	1,516,010
	EQUITY AND LIABILITIES		
	Equity attributable to equity holders of the parent:		
	Share capital		
	Common shares	200,000	200,000
	Preferred shares	50,000	50,000
	Share premium	401,960	400,000
	Retained earnings	230,870	232,830
	Other reserves	8,930	8,930
	Total equity attributable to equity holders of the parent**	891,760	891,760
IAS 27.33	Non-controlling interest in subsidiaries	91,500	91,500
	Total equity	983,260	983,260
	Total liabilities	532,750	532,750
	Total equity and liabilities	1,516,010	1,516,010

* Differences between *share premium* and *retained earnings* reported under current IFRSs and under the proposals relate to the current practice of recognizing a gain or loss in profit or loss for decreases in controlling ownership interests.
** The label for 'total equity attributable to equity holders of the parent' has been added. The implementation guidance in IAS 1 included a line for the total but did not label that line.

APPENDIX B – EXHIBIT 2

IRFS consolidated income statement
for the year ended 31 December 20X2

Reference		IASB NCI ED Approach CU	Current IFRSs Approach CU
	Revenue	170,000	170,000
	Expenses	(35,000)	(35,000)
	Realised gain on sale of available-for-sale financial asset	26,667	26,667
	Gain on sale of investment in subsidiary*	-	1,960
	Profit from continuing operations before tax	161,667	163,627
	Income tax expense	(40,907)	(40,907)
	Profit from continuing operations	120,760	122,720
	Loss for the year from discontinued operations (net of tax)	(7,000)	(7,000)
IAS 1.81(f)	**Profit for the year**	113,760	115,720
	Attributable to:		
IAS 1.82	Equity holders of the parent	84,970	86,930
IAS 1.82	Non-controlling interest	28,790	28,790

Supplemental information that would be presented under the NCI ED**
For the year ended 31 December 20X2

NCI ED IFRS 5.33(d)	Income from continuing operations, net of tax, attributable to equity holders of the parent	90,570
NCI ED IFRS 5.33(d)	Less amounts attributable to equity holders of the parent for discontinued operations, net of tax	(5,600)
	Consolidated net income attributable to equity holders of the parent	84,970

* IAS 27 does not provide specific guidance for accounting for changes in controlling ownership interests. Through an analysis of the comment letters received, it appears that many recognise a gain or loss in profit or loss for decreases in controlling ownership interests.

** This information may be disclosed on the face of the consolidated income statement or in notes to the consolidated financial statements.

APPENDIX B – EXHIBIT 3

IFRS consolidated statement of changes in equity (modified from version in IASB NCI ED)
For the year ended 31 December 20X2

Reference		Common shares	Preferred shares	Share premium	Retained earnings	Other reserves	Total	Non-controlling interests	Total equity
		Attributable to equity holders of the parent							
		CU	CU	CU	CU	CU	CU	CU	CU
	Balance at 31 December 20X1	200,000		400,000	160,900	22,000	782,900	48,600	831,500
	Changes in equity from recognised income and expense								
NCI ED IAS 1.97(b)	Unrealised gains on available-for-sale investments (net of reclassification adjustment)					(16,000)	(16,000)	(4,000)	(20,000)
NCI ED IAS 1.97(b)	Exchange differences on translating foreign operations					4,800	4,800	1,200	6,000
IAS 1.96(b)	Net income recognised directly in equity					(11,200)	(11,200)	(2,800)	(14,000)
NCI ED IAS 1.97(b)	Profit for the year				84,970	-	84,970	28,790	113,760
IAS 1.96(c)	Total recognised income and expense for the year				84,970	(11,200)	73,770	25,990	99,760
	Changes in equity from transactions with parent entity shareholders								
	Issue of preferred shares		50,000				50,000		50,000
	Dividends declared on common shares				(10,000)		(10,000)		(10,000)
	Dividends declared on preferred shares		-		(5,000)		(5,000)		(5,000)
			50,000		(15,000)		35,000		35,000
	Changes in equity from transactions with non-controlling interests								
	Sale of subsidiary shares to non-controlling interest	-	-	1,960	-	(1,870)	90	16,910	17,000
	Balance at 31 December 20X2	200,000	50,000	401,960	230,870	8,930	891,760	91,500	983,260

APPENDIX B – EXHIBIT 4

IFRS notes to consolidated financial statements

Changes in equity of the controlling interest from profit for the year and transactions with non-controlling interests

Year ended 31 December 20X2

	CU	
Profit for the year	113,760	
Less profit attributable to non-controlling interest	(28,790)	
Profit attributable to equity holders of the parent		84,970
Proceeds from sale of a 10% interest in Subsidiary	17,000	
Plus reallocation of income recognised directly in equity	1,870	
Less carrying amount of sold interest	(16,910)	
Premium received from sale of interest in Subsidiary		1,960
Changes in equity of the controlling interest from profit for the year and transactions with non-controlling interests		86,930