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**International  
Accounting Standards  
Board**

*This document is provided as a convenience to observers at IASB meetings, to assist them in following the Board's discussion. It does not represent an official position of the IASB. Board positions are set out in Standards.*

*These notes are based on the staff papers prepared for the IASB. Paragraph numbers correspond to paragraph numbers used in the IASB papers. However, because these notes are less detailed, some paragraph numbers are not used.*

### **INFORMATION FOR OBSERVERS**

**Board Meeting:** 22 February 2007, London

**Project:** Business Combinations II

**Subject:** Proposed Amendments to IAS 27/Proposed Replacement of ARB No. 51: Introduction (Agenda Paper 2C)

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1. In January 2006, the staff presented to the Boards its initial assessment of the comment letters received on the exposure draft on proposed amendments to IAS 27 *Consolidated and Separate Financial Statements* and the exposure draft *Proposed Statement of Financial Accounting Standards, Consolidated Financial Statements, Including Accounting and Reporting of Noncontrolling Interests in Subsidiaries a replacement of ARB No. 51*. The staff identified the following issues for redeliberation:

- a. *Nature of non-controlling interest*

Paragraph 33 of IAS 27 states that non-controlling interest shall be presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity. The IASB decided not to revisit the nature of non-controlling interest in phase II of the business combinations project.

In March 2006, the FASB affirmed paragraph 20 of the FASB ED according to which non-controlling interests in the net assets of subsidiaries shall be reported in the consolidated statement of financial position within equity.

- b. *Attribution of profit or loss and other changes in equity to the controlling and non-controlling interest*

See Agenda Paper 2C(i) / Memo #43(i).

- c. *Attribution of losses in excess of the non-controlling interest's equity*

See Agenda Paper 2C(i) / Memo #43(i).

- d. *Changes in ownership interests in subsidiaries that do not result in loss of control*

In March 2006, the Boards affirmed their proposals that changes in the parent's ownership interest in a subsidiary after control is obtained that do not result in a loss of control should be accounted for as transactions between equity holders in their capacity as equity holders.

- e. *Loss of control of a subsidiary*

In March 2006, the Boards affirmed their proposals that achieving or losing control of an acquiree is a remeasurement event. The acquirer remeasures any non-controlling equity investment in the acquiree it held or retains its fair value at the date control is achieved or lost.

- f. *Guidance for determining whether multiple arrangements should be accounted for as a single arrangement*

See Agenda Paper 2C(ii) / Memo 43(ii).

- g. *Consequential amendments*

See Agenda Paper 2C(iii) (**IASB Only**).

h. *Financial statement presentation and disclosure*

In April 2006, the Boards deliberated the presentation and disclosure requirements in their exposure drafts. The Boards decided to require entities to disclose, in the notes to the consolidated financial statements, a separate schedule that shows the effects of any transactions with the non-controlling interest on the equity attributable to the controlling interest.

In January 2007, the Boards discussed the statement of changes in equity as part of phase B of their project on financial statements presentation. The Boards asked that project's staff members to explore that issue for discussion at a future meeting.

i. *Transition*

See Agenda Paper 2D / Memo #44.

j. *Effective Date*

To be discussed at a future meeting.

2. At the February Board meetings, the staff will present the following agenda papers to the Boards:

Agenda Paper 2C(i) / Memo #43(i)	Attribution of profits and losses to controlling and non-controlling interests
Agenda Paper 2C(ii) / Memo #43(ii)	Multiple arrangements that should be accounted for as a single transaction
Agenda Paper 2C(iii) ( <b>IASB only</b> )	Consequential Amendments in ED IAS 27 (IASB only)
Agenda Paper 2D / Memo #44	Transition and effective date