Project	**Agenda decisions**
Topic	**IAS 28 – Venture capital consolidations and partial use of fair value through profit or loss**

Background

1. In March and May 2009, the IFRIC discussed a request to add to its agenda a project to provide guidance on the scope of IAS 28 *Investments in Associates*. Specifically, the IFRIC was requested to clarify instances in which an investor, at a consolidated level, has an investment in an associate, a part of which is held by a subsidiary that is an investment-linked insurance fund (or any entity potentially included within the scope exemption of paragraph 1 of IAS 28). The question raised is whether that part of the investment held by a subsidiary that is an investment-linked insurance fund is able to be designated at initial recognition as at fair value through profit or loss in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, while another part of the investment held by another group entity is accounted for in accordance with IAS 28. At the May meeting the IFRIC tentatively decided not to add the issue to its agenda and published the decision for comment in *IFRIC Update*.

2. One comment letter was received supporting the tentative decision and its reasons.

Recommendation and question for the IFRIC
The staff recommends that the IFRIC finalise the agenda decision as published. Wording is included in the Appendix. Does the IFRIC agree?

This paper has been prepared by the technical staff of the IASCF for discussion at a public meeting of the IFRIC.

The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the IFRIC or the IASB. Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRIC or the IASB can make such a determination.

Decisions made by the IFRIC are reported in IFRIC *Update*.

Interpretations are published only after the IFRIC and the Board have each completed their full due process, including appropriate public consultation and formal voting procedures. The approval of an Interpretation by the Board is reported in IASB *Update*.

Appendix A – proposed wording for agenda decision

B1. The Staff proposes the following wording as published in *IFRIC Update* for the final agenda decision.

> **IAS 28 *Investments in Associates* — Venture capital consolidations and partial use of fair value through profit or loss**
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> The IFRIC received a request to provide guidance on an issue arising from IAS 28. The issue relates to situations in which a parent has an investment in an associate, one part of which is held by a subsidiary that is an investment-linked insurance fund (or mutual fund, unit trust or venture capital organisation). In its separate financial statements, in accordance with the scope exclusion in IAS 28, the investment-linked insurance fund subsidiary holding part of the investment in the associate has designated it at initial recognition as at fair value through profit or loss in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*. The other part of the investment in the same associate is held by another group entity that accounts for its investment in accordance with IAS 28 using the equity method (or at cost, if certain conditions are met). The issue is whether both measurement bases can be used in the consolidated financial statements.
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> Paragraph 6 of IAS 28 requires an entity to determine the existence of significant influence considering aggregate holdings, both direct and indirect. Paragraph 24 of IAS 27 *Consolidated and Separate Financial Statements* (as amended in 2008) requires consolidated financial statements to be prepared using uniform accounting policies for like transactions and other events in similar circumstances. However, the IFRIC noted that some IFRSs allow different treatment of similar items when those items are used differently. For example, IAS 2 *Inventories* states that for inventories with a different nature or use, different cost formulas may be justified.
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> The IFRIC noted that significant diversity exists in practice on this issue because of the apparently conflicting guidance within IAS 28 and between IAS 28 and other standards. Consequently, the IFRIC decided that it could be best resolved by referring it to the IASB. Therefore, the IFRIC decided not to add this issue to its agenda.