



30 Cannon Street, London EC4M 6XH, United Kingdom
Tel: +44 (0)20 7246 6410 Fax: +44 (0)20 7246 6411
E-mail: iasb@iasb.org Website: www.iasb.org

**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: March 2009, London

Project: Conceptual Framework

Subject: Reporting Entity (Phase D): Redeliberation of Issues (part 3) (Agenda paper 14B)

INTRODUCTION

1. The objective of this memorandum is to discuss the issues raised by respondents to the Discussion Paper (DP), *Preliminary Views on an improved Conceptual Framework for Financial Reporting: The Reporting Entity*, that have not been discussed in other memoranda in the redeliberations of the DP.
2. The memorandum also asks the Boards if they would like the staff to proceed to drafting the Exposure Draft.

OTHER ISSUES RAISED BY RESPONDENTS

Accounting for Investments in Subsidiaries in Parent-Only Financial Statements

3. One respondent to the DP suggested that the Boards address how investments in subsidiaries should be accounted for in parent-only financial statements. This respondent asked the Boards to consider among the cost method, equity method, and fair value and present the Boards' view in the next document for public exposure.

4. The staff thinks that the preparation of parent-only financial statements should not be addressed at the concepts level. If the Boards decide to address such matters, the staff thinks those would be standards-level matters.

Issues in New Zealand's FRS-37 Not Addressed in the DP

5. One respondent noted that the following areas from FRS-37, *Consolidating Investments in Subsidiaries*, by the Financial Reporting Standards Board of the New Zealand Institute of Chartered Accountants, could be useful to be discussed in the Boards' Framework:
 - a. 'Auto pilot' and SPE
 - b. Ownership versus fiduciary relationships
 - c. Restrictions on activities
 - d. Power of veto
 - e. Delegated power
 - f. Receipts of benefits by parent not required
 - g. Other benefits from control over net assets
 - h. Benefits from complementary activities
 - i. Responsibility for loss with or without entitlement to benefit.
6. The staff thinks some issues were already covered in the DP and other issues could be useful if included in the explanatory paragraphs of the forthcoming Exposure Draft. Some of the issues are addressed in other memoranda for redeliberations. The staff will consider these issues when preparing the Exposure Draft. However, the staff thinks there are no issues that should be discussed as standalone issues in the forthcoming Exposure Draft.

Not-for-Profit Considerations

7. Several respondents urged the Boards to consider for-profit and not-for-profit entities concurrently. One of those respondents noted that the following issues could be addressed in that regard:
 - a. The fact that power to regulate does not of itself equate to control
 - b. The role of accountability in understanding control
 - c. When the government has the residual financial interest in the net assets of the other entity
 - d. Ministerial approval/control/directions

- e. The role of legislation; that is, when the mandate of an entity is established/limited by enabling legislation
 - f. The controlling entity's ability to deploy scarce resources to achieve objectives; specification of separate objectives
 - g. The fact that financial dependency is not control
 - h. Control versus day-to-day management.
8. The staff thinks some issues were already covered in the DP and other issues could be useful if included in the explanatory paragraphs of the forthcoming Exposure Draft. Some of the issues are addressed in other memoranda for redeliberations. The staff will consider these issues when preparing the Exposure Draft. However, the staff thinks there are no issues that should be discussed as standalone issues in the forthcoming Exposure Draft.
9. The staff continues to support the Boards' view that, while the conceptual framework would first focus on for-profit entities, sector-neutral language should be used to the extent possible. The staff notes that some of the changes in the deliberations take this point into account.

DRAFTING THE EXPOSURE DRAFT

10. Based on the discussions above, pending the outcome at their respective March Board meetings and at the joint Board meeting, the staff thinks that the Boards have made the necessary decisions to instruct the staff to proceed to drafting the Exposure Draft. The staff would like to confirm this with the Boards.

Question for the Boards:

Assuming all necessary decisions are made at their respective March Board meetings and at the joint Board meeting, do the Boards agree that the staff should proceed with drafting the Exposure Draft?