



Project	Annual Improvement
Topic	Amendments to IFRS3 and IAS27 - Allocation of other comprehensive income upon change in ownership

Proposed amendments

1. IAS 27 *Consolidated and Separate Financial Statements* (as issued in 2008) requires an entity to adjust the carrying amounts of the controlling and non-controlling interests if there are changes in a parent's ownership interest in a subsidiary that do not result in a loss of control. However, the standard does not address whether an entity must re-attribute the proportionate share of the cumulative amount of other comprehensive income (OCI) between the controlling and non-controlling interests in such circumstances.
2. Some constituents are concerned that the lack of explicit guidance in the standard might result in divergence in practice. Therefore, they ask the Board to clarify whether OCI should be re-attributed when there are changes in a parent's ownership interest in a subsidiary that do not result in a loss of control.

Issue: Should IAS 27 include additional requirements to specify the accounting treatment of OCI when a change in ownership interest in a subsidiary occurs that does not result in the loss of control

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

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 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.

The tentative decisions made by the IASB at its public meetings are reported in IASB *Update*. Official pronouncements of the IASB, including Discussion Papers, Exposure Drafts, IFRSs and Interpretations are published only after it has completed its full due process, including appropriate public consultation and formal voting procedures.

Staff Recommendation

3. The staff recommends that the Board:
 - (a) add this issue to the annual improvements project; and
 - (b) propose amending IAS 27.31 to include explicit requirements on the re-attribution of OCI when a change in ownership interest in a subsidiary occurs that does not result in the loss of control.

Staff Analysis

4. We note that the Board intended an entity to re-attribute the proportionate share of OCI between the controlling and non-controlling interests when a change in ownership interest in a subsidiary occurs that does not result in the loss of control. The Board's intention is evidenced in other parts of IAS 27 and IAS 21 *The Effects of Changes in Foreign Exchange Rates*.
5. IAS 27.28 states that profit or loss and each component of OCI are attributed to the owners of the parent and to the non-controlling interests. In addition, the consequential amendment to IAS 21 made by IAS 27 provides explicit requirements for the OCI treatment in a partial disposal of a subsidiary that includes foreign operations. IAS 21.48C requires that in a partial disposal, an entity re-attributes the proportionate share of the cumulative amount of the exchange differences recognised in OCI to the non-controlling interest in that foreign operation.
6. We believe that an explicit statement in IAS 27 that an entity re-attributes OCI when a change in ownership interest in a subsidiary occurs that does not result in the loss of control will help prevent divergence in practice. Therefore, we recommend that the Board propose amending paragraph 31 as described in Appendix A.
7. Some staff think that the change proposed is not required. At the time the revised IFRS 3 was developed it is clear that the intention was that other comprehensive income should be adjusted when the ownership interests change. This paper has presented a strong case to support this assertion. Those staff think that many applying IFRS will reach the same conclusion and will use arguments similar to those presented in this paper to implement what is being

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suggested in the amendment. These staff think that the answer is sufficiently clear, and uncontroversial, that the matter could be dealt with when the Board completes the consolidation project. On the current planning this would be a more timely way to address the issue.

8. *Consistency with US GAAP* - The staff recommendation is consistent with US GAAP. Paragraph 34 of SFAS No. 160 *Noncontrolling Interests in Consolidated Financial Statements* requires an entity to adjust the carrying amount of accumulated other comprehensive income to reflect the change in the ownership interest in a subsidiary through a corresponding charge or credit to equity attributable to the parent.

Question to the Board

Does the Board agree to propose amending IAS 27 to provide explicit requirements for the re-attribution of OCI when a change in ownership interest in a subsidiary occurs that does not result in the loss of control?

Does the Board have any comments on the proposed wording in Appendix A?

Appendix A

A1. Drafting of proposed amendments to IAS 27 *Consolidated and Separate Financial Statements*

IAS 27 Consolidated and Separate Financial Statements

Paragraph 31A is added as follows:

- 31A If a subsidiary has items of accumulated other comprehensive income, the entity shall also re-attribute between the parent and the non-controlling interest the proportionate share of the cumulative amount of the other comprehensive income to reflect the changes in the relative interest in the subsidiary.

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of the draft amendment.

- BC1 Subsequent to the publication of the amended Standard, some constituents raised concerns about the lack of explicit requirements with respect to the re-attribution of accumulated other comprehensive income when a change in ownership interest in a subsidiary occurs that does not result in the loss of control.
- BC2 In response to those concerns, the Board proposes adding an explicit requirement in paragraph 31A that an entity must re-attribute between the parent and the non-controlling interest the proportionate share of the accumulated amount of other comprehensive income to reflect the changes in the relative interest in the subsidiary. The Board noted that paragraph 34 of SFAS No. 160 *Noncontrolling Interests in Consolidated Financial Statements* contains a similar requirement.