



Staff Paper

Project	Consolidation
Topic	Disclosures—cover paper

Introduction and papers to be discussed at this meeting

1. At this joint board meeting, the boards will deliberate the disclosure requirements in Topic 810-10 as amended by Statement No.167 *Amendments to FIN 46(R)* and the disclosure requirements proposed in ED10 *Consolidated Financial Statements*, considering comments received from respondents to ED10.
2. The following papers will be discussed:
 - (a) Agenda paper 8G: Disclosure principles and objectives
 - (b) Agenda paper 8H: Disclosures for subsidiaries
 - (c) Agenda paper 8I: Disclosures for unconsolidated structured entities
 - (d) Agenda paper 8J: Disclosures—implicit obligations to provide support
3. The staff intend to discuss the following disclosure and presentation issues with the boards in April:
 - (a) Disclosure requirements for investment companies
 - (b) Requiring separate presentation of certain assets and liabilities of structured entities on the face of the consolidated statement of financial position
 - (c) Whether the boards should propose disclosure requirement for investment fund managers

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

Comments made in relation to the application of IFRSs or U.S. GAAP do not purport to be acceptable or unacceptable application of IFRSs or U.S. GAAP.

The tentative decisions made by the FASB or the IASB at public meetings are reported in FASB *Action Alert* or in IASB *Update*. Official pronouncements of the FASB or the IASB are published only after each board has completed its full due process, including appropriate public consultation and formal voting procedures.

Staff paper

4. The following table sets out an overview of the disclosure requirements proposed in ED10, the disclosure requirements in Subtopic 810-10 as amended by Statement No.167, and the staff recommendations included in each of the agenda papers. The table is organised to mirror the order in which each of the disclosure requirements are discussed in the agenda papers.

DISCLOSURE PRINCIPLES AND OBJECTIVES – AGENDA PAPER 8G

Overall principles and objectives	Overall principles and objectives	Overall principles and objectives
<p>48 A reporting entity shall disclose information that enables users of its financial statements to evaluate:</p> <p>(a) the basis of control and the related accounting consequences;</p> <p>(b) the interest that the non-controlling interests have in the group’s activities;</p> <p>(c) the nature and financial effect of restrictions that are a consequence of assets and liabilities being held by subsidiaries;</p> <p>(d) the nature of, and risks associated with, the reporting entity’s involvement with structured entities that the reporting entity does not control;</p>	<p>810-10-50-2AA The principal objectives of this Subsection’s required disclosures are to provide financial statement users with an understanding of all of the following:</p> <p>a. The significant judgments and assumptions made by a reporting entity in determining whether it must do any of the following:</p> <ol style="list-style-type: none"> 1. Consolidate a variable interest entity (VIE) 2. Disclose information about its involvement in a VIE. <p>b. The nature of restrictions on a consolidated VIE’s assets reported by a reporting entity in its statement of financial position, including the carrying amounts of such assets and liabilities.</p> <p>c. The nature of, and changes in, the risks associated with a reporting entity’s involvement with the VIE.</p> <p>d. How a reporting entity’s involvement with the VIE affects the reporting entity’s financial position, financial performance, and cash flows.</p>	<p>A reporting entity shall disclose information that enables users of financial statements to understand:</p> <p>a. the composition (and changes in the composition) of the group;</p> <p>b. the effect of legal structures within the group, and changes to those structures, on the reporting entity’s ability to access and use assets and resources of consolidated entities; and</p> <p>c. the nature of, and changes in, the risks associated with the reporting entity’s involvement with structured entities.</p>
<p>49 To meet the objectives in paragraph 48, a reporting entity shall disclose the information specified in paragraphs B30-B49.</p>	<p>810-10-50-2AB A reporting entity shall consider the overall objectives in the preceding paragraph [810-10-50-2AA] in providing the disclosures required by this Subsection. To achieve those objectives, a reporting entity may need to supplement the disclosures otherwise required by this</p>	<p>To meet these objectives, a reporting entity shall disclose the specified information. A reporting entity may need to supplement the disclosures otherwise required, depending on the facts and circumstances.</p>

IFRS – ED 10	US GAAP – ASC 810-10-50	PROPOSED DISCLOSURES
<p>assist users of financial statements and obscuring important information as a result of too much aggregation. For example, a reporting entity shall not obscure important information by including it among a large amount of insignificant detail. Similarly, a reporting entity shall not disclose information that is so aggregated that it obscures important differences between the types of involvement or associated risks.</p>	<p>financial statement users to understand the reporting entity’s financial position. For example, a reporting entity shall not obscure important information by including it with a large amount of insignificant detail. Similarly, a reporting entity shall not disclose information that is so aggregated that it obscures important differences between the types of involvement or associated risks.</p>	<p>much aggregation. For example, a reporting entity shall not obscure important information by including it among a large amount of insignificant detail. Similarly, a reporting entity shall not disclose information that is so aggregated that it obscures important differences between the types of involvement or associated risks.</p>

DISCLOSURES FOR SUBSIDIARIES – AGENDA PAPERS 8H AND 8J

Basis of Control	Basis of Control	Basis of Control
<p>B32 To help meet the objective in paragraph 48(a), a reporting entity shall describe the basis for its assessment and any significant assumptions or judgements when the reporting entity has concluded that:</p> <p>(a) it controls an entity whose activities are directed through voting rights even though the reporting entity has less than half of that entity’s voting rights.</p> <p>(b) it does not control an entity whose activities are directed through voting rights even though the reporting entity is the dominant shareholder with voting rights.</p> <p>(c) it does not control a structured entity from which the reporting entity receives returns that are potentially significant to the structured entity.</p> <p>Not discussed in ED 10.</p>	<p>810-10-50-5A A reporting entity that is a primary beneficiary of a VIE or a reporting entity that holds a variable interest in a VIE but is not the entity’s primary beneficiary shall disclose all of the following:</p> <p>a. Its methodology for determining whether the reporting entity is the primary beneficiary of a VIE, including, but not limited to, significant judgments and assumptions made. One way to meet this disclosure requirement would be to provide information about the types of involvements a reporting entity considers significant, supplemented with information about how the significant involvements were considered in determining whether the reporting entity is the primary beneficiary.</p> <p>b. If facts and circumstances change such that the conclusion to consolidate a VIE has changed in the most recent financial statements (for example, the VIE was previously consolidated and is not currently consolidated), the primary factors that caused the change and the effect on the reporting entity’s financial statements.</p> <p>810-10-50-5B A VIE may issue voting equity interests, and the entity that holds a majority voting interest also may be the primary beneficiary of the VIE. If so, and if the VIE meets the definition of a business and the VIE’s assets can be used for purposes other than the settlement of the VIE’s obligations, the disclosures in the preceding paragraph [810-10-50-5A] are not required.</p>	<p>A reporting entity that determines it is required to consolidate another entity shall describe the basis for its assessment and shall disclose:</p> <p>a. all significant judgements and assumptions in determining whether it controls another entity; and</p> <p>b. any changes in its control assessments that require significant judgement and the reasons for those changes.</p> <p>This exemption will not be retained in US GAAP; accordingly, the disclosure will be required where judgement was required in the consolidation analysis for all entities.</p>

<p>B33 A reporting entity shall disclose, in aggregate in relation to the subsidiaries identified in accordance with paragraph B32(a), information to assist users in evaluating the accounting consequences of its assessment that it controls such entities. Such information might include the amounts in the consolidated financial statements relating to total assets, liabilities, revenue and profit or loss of those subsidiaries.</p> <p>B34 A reporting entity shall disclose in aggregate, in relation to the entities identified in paragraph B32(b), information to assist users in evaluating the accounting consequences of its assessment that it does not control such entities. Such information might include total assets, liabilities, revenue and profit or loss of those entities.</p> <p>B36 A reporting entity shall disclose the date of the financial statements of a subsidiary when such financial statements are used to prepare consolidated financial statements and are as of a date or for a period that is different from that of the consolidated financial statements. The reason why the subsidiary uses a different date or period shall also be disclosed.</p>	<p>Not required by Subtopic 810-10</p> <p>Not required by Subtopic 810-10</p> <p>810-10-45-12 It ordinarily is feasible for the subsidiary to prepare, for consolidation purposes, financial statements for a period that corresponds with or closely approaches the fiscal period of the parent. However, if the difference is not more than about three months, it usually is acceptable to use, for consolidation purposes, the subsidiary's financial statements for its fiscal period; if this is done, recognition should be given by disclosure or otherwise to the effect of intervening events that materially affect the financial position or results of operations.</p>	<p>Propose to exclude this disclosure requirement.</p> <p>Propose to exclude this disclosure requirement.</p> <p>If the fiscal period of a subsidiary's financial statements used for consolidation purposes does not correspond with the reporting entity's fiscal period, the reporting entity shall disclose the effect of intervening events that materially affect the financial position or results of operations of the group when these are not recognized.</p>
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IFRS – ED 10	US GAAP – ASC 810-10-50	PROPOSED DISCLOSURES
<p><i>The interest that the non-controlling interests have in the group's activities</i></p> <p>B35 To meet the objective in paragraph 48(b), a reporting entity shall disclose information to enable users to evaluate the interest that the non-controlling interests have in the performance, cash flows and net assets of the group. Such information includes, for example:</p> <p>(a) the non-controlling interests' share of the group profit or loss and comprehensive income;</p> <p>(b) the non-controlling interests' proportionate interest in dividends paid by subsidiaries; and</p> <p>(c) the business activity or segment to which the non-controlling interests relate.</p> <p><i>Restrictions on consolidated assets and liabilities</i></p> <p>B37 To meet the objective in paragraph 48(c), a reporting entity shall disclose the nature of restrictions that are a consequence of assets and liabilities being held by subsidiaries, including:</p> <p>(a) the extent to which non-controlling interests can restrict the activities of subsidiaries.</p> <p>(b) legal, contractual and regulatory restrictions, such as: (i) those that restrict the ability of subsidiaries to transfer cash to entities within the group; and (ii)</p>	<p><i>The interest that the non-controlling interests have in the group's activities</i></p> <p>The disclosures related to non-controlling interests' (a) share of the group profit or loss and comprehensive income and (b) proportionate interest in dividends paid by subsidiaries are required to be disclosed in the equity roll forward required under the Statement 160 amendments to Subtopic 810-10.</p> <p><i>Restrictions on consolidated assets and liabilities</i></p> <p>810-10-50-3 In addition to disclosures required elsewhere in this Topic, the primary beneficiary of a VIE shall disclose all of the following (unless the primary beneficiary also holds a majority voting interest):</p> <p>a. Not Used.</p> <p>b. Not Used.</p>	<p><i>The interest that the non-controlling interests have in the group's activities</i></p> <p>View 1 - A reporting entity shall disclose information to enable users to evaluate the interest that the non-controlling interests have in the performance, cash flows and net assets of the group. Such information includes, for example:</p> <p style="padding-left: 40px;">the NCIs' proportionate interest in particular non-persistent components of profit or loss, e.g. the NCIs' proportionate interest in the gain or loss on disposal of a business.</p> <p>View 2 – No additional disclosures.</p> <p>[The NCI disclosure requirements in IAS 1 and in Subtopic 810-10 as amended by Statement No.160 would be retained within those standards.]</p> <p><i>Restrictions on consolidated assets and liabilities</i></p> <p>A reporting entity shall disclose the nature of restrictions that are a consequence of assets and liabilities being held by subsidiaries, including:</p> <p>(a) the nature of rights held by the NCIs that go beyond typical protective rights set out in legislation;</p> <p>(b) legal, contractual and regulatory restrictions¹, such as: (i) those that restrict the ability of subsidiaries to transfer cash to entities within the group; and (ii)</p>

¹ The staff will investigate how to word this disclosure requirement to clarify that the boards do not expect a reporting entity to disclose every restriction, regardless of its materiality to users.

IFRS – ED 10	US GAAP – ASC 810-10-50	PROPOSED DISCLOSURES
<p>guarantees that may restrict dividends being paid to entities within the group.</p> <p>(c) the carrying amount in the consolidated financial statements of the assets and liabilities to which those restrictions apply.</p>	<p>bb. The carrying amounts and classification of the VIE’s assets and liabilities in the statement of financial position that are consolidated in accordance with the Variable Interest Entities Subsections, including qualitative information about the relationship(s) between those assets and liabilities. For example, if the VIE’s assets can be used only to settle obligations of the VIE, the reporting entity shall disclose qualitative information about the nature of the restrictions on those assets.</p> <p>c. Lack of recourse if creditors (or beneficial interest holders) of a consolidated VIE have no recourse to the general credit of the primary beneficiary</p> <p>A VIE may issue voting equity interests, and the entity that holds a majority voting interest also may be the primary beneficiary of the VIE. If so, and if the VIE meets the definition of a business and the VIE’s assets</p>	<p>guarantees that may restrict dividends being paid to entities within the group.²</p> <p>(c) the carrying amount in the consolidated financial statements of the assets and liabilities to which those restrictions apply, including qualitative information about the relationship(s) between those assets and liabilities.</p> <p>(d) View 1- Lack of recourse if creditors (or beneficial interest holders) of the entity have no recourse to the general credit of other entities within the group. [This requirement should apply only to consolidated structured entities.]</p> <p>(d) View 2 – No additional disclosures.</p> <p>This exemption will not be retained in US GAAP; accordingly, these disclosures will be required for all entities. However, see footnote 1 above.</p>

² Securities and Exchange Commission (SEC) Regulation S-X Article 4-08(e), *Restrictions which limit the payment of dividends by the registrant*, currently requires a registrant to disclose the most significant restrictions on the payment of dividends by the registrant, indicating their sources, their pertinent provisions, and the amount of retained earnings or net income restricted or free of restrictions.

³ SEC Regulation S-K Item 601 requires that a registrant include as an exhibit to its Form 10-K (and certain Registration Statements) a list of all subsidiaries of the registrant, the state or other jurisdiction of incorporation or organization of each, and the names under which such subsidiaries do business. The names of particular subsidiaries may be omitted if the unnamed subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary as of the end of the year covered by this report. The names of consolidated wholly-owned multiple subsidiaries carrying on the same line of business, such as chain stores or small loan companies, may be omitted, provided the name of the immediate parent, the line of business, the number of omitted subsidiaries operating in the United States and the number operating in foreign countries are given.

<p><i>Obligations to provide support</i></p> <p>Explicit</p>	<p>can be used for purposes other than the settlement of the VIE’s obligations, the disclosures in this paragraph are not required.</p> <p><i>Obligations to provide support</i></p> <p>Explicit 810-10-50-3</p> <p>In addition to disclosures required elsewhere in this Topic, the primary beneficiary of a VIE shall disclose all of the following (unless the primary beneficiary also holds a majority voting interest):</p> <p>d. Terms of arrangements, giving consideration to both explicit arrangements and implicit variable interests that could require the reporting entity to provide financial support (for example, liquidity arrangements and obligations to purchase assets) to the VIE, including events or circumstances that could expose the reporting entity to a loss.</p> <p>A VIE may issue voting equity interests, and the entity that holds a majority voting interest also may be the primary beneficiary of the VIE. If so, and if the VIE meets the definition of a business and the VIE’s assets can be used for purposes other than the settlement of the VIE’s obligations, the disclosures in this paragraph are not required.</p> <p>810-10-50-5A</p> <p>d. Qualitative and quantitative information about the reporting entity’s involvement (giving consideration to both explicit arrangements and implicit variable interests) with the VIE, including, but not limited to, the nature, purpose, size, and activities of the VIE, including how the VIE is financed. Paragraphs 810-10-25-48 through 25-54 and Example 4 (see paragraph 810-10-55-87) provide</p>	<p><i>Obligations to provide support</i></p> <p>Explicit</p> <p>For all structured entities, disclose the terms of arrangements that could require the reporting entity to provide financial support (for example, liquidity arrangements and obligations to purchase assets) to the structured entity, including events or circumstances that could expose the reporting entity to a loss.</p> <p>This exemption will not be retained in US GAAP; accordingly, this disclosure will be required for all structured entities.</p> <p>A reporting entity shall disclose qualitative and quantitative information about its involvement with a consolidated structured entity, including, but not limited to, the nature, purpose, size and activities of the structured entity and how the entity is financed.</p>
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<p>Implicit</p> <p>B47</p> <p>If during the reporting period, a reporting entity has, without having a contractual or constructive obligation to do so, provided support to structured entities that were not consolidated at the time of providing the support, it shall disclose:</p> <ul style="list-style-type: none"> (a) the extent of support provided, including its nature and amount, including situations in which the reporting entity assisted the structured entity in obtaining another type of support, or in which there are current intentions to do so; (b) an explanation of why the support was provided; (c) an explanation of how the provision of the support resulted in the reporting entity controlling the structured entity, if applicable. 	<p>guidance on how to determine whether a reporting entity has an implicit variable interest in a VIE.</p> <p>810-10-50-5B</p> <p>A VIE may issue voting equity interests, and the entity that holds a majority voting interest also may be the primary beneficiary of the VIE. If so, and if the VIE meets the definition of a business and the VIE’s assets can be used for purposes other than the settlement of the VIE’s obligations, the disclosures in the preceding paragraph [810-10-50-5A] are not required.</p> <p>Implicit</p> <p>810-10-50-5A</p> <p>A reporting entity that is a primary beneficiary of a VIE or a reporting entity that holds a variable interest in a VIE but is not the entity’s primary beneficiary shall disclose all of the following:</p> <ul style="list-style-type: none"> c. Whether the reporting entity has provided financial or other support (explicitly or implicitly) during the periods presented to the VIE that it was not previously contractually required to provide or whether the reporting entity intends to provide that support, including both of the following: <ul style="list-style-type: none"> ○ 1. The type and amount of support, including situations in which the reporting entity assisted the VIE in obtaining another type of support ○ 2. The primary reasons for providing the support. 	<p>This exemption will not be retained in US GAAP; accordingly, this disclosure will be required for all structured entities.</p> <p>Implicit</p> <p>View 1 - If during the reporting period, a reporting entity provided support to a consolidated structured entity to ensure that the structured entity continues to operate as designed, regardless of whether it had a contractual or constructive obligation to do so (implicit support), it shall disclose:</p> <ul style="list-style-type: none"> a. The type and amount of support provided, including situations in which the reporting entity assisted the structured entity in obtaining another type of support; b. An explanation of why the support was provided; and c. An explanation of how the provision of support resulted in the reporting entity controlling the structured entity, if applicable. <p>View 2 – Provide the above disclosure but include an additional disclosure for situations in which the reporting entity has determined that it intends to provide that support.</p>
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<p>B46</p> <p>A reporting entity shall disclose other information that is relevant to an assessment of the risks to which the reporting entity is exposed. That other information might include any of the following:</p> <p>(e) In relation to support that has been provided by a reporting entity to structured entities during the reporting period whether:</p> <p>(i) the reporting entity purchased any debt or equity interests in structured entities, and whether any agreement required the reporting entity to make these purchases.</p> <p>(ii) other assistance was provided to structured entities in obtaining any other type of support.</p> <p>(iii) there are any current intentions to provide support or other assistance to structured entities in obtaining any other type of support.</p> <p>Additional proposed disclosures</p>	<p>810-10-50-5B</p> <p>A VIE may issue voting equity interests, and the entity that holds a majority voting interest also may be the primary beneficiary of the VIE. If so, and if the VIE meets the definition of a business and the VIE’s assets can be used for purposes other than the settlement of the VIE’s obligations, the disclosures in the preceding paragraph [810-10-50-5A] are not required.</p> <p>Additional proposed disclosures</p>	<p>Removed as an example of a disclosure that could be provided and combined with the disclosures proposed above.</p> <p>This exemption will not be retained in US GAAP; accordingly, this disclosure will be required for all structured entities.</p> <p>Additional proposed disclosures</p> <p>View 1 - Disclose a list of significant subsidiaries³, including</p> <ol style="list-style-type: none"> a. name and country of incorporation or residence b. the proportion of ownership interest and, if different, proportion of voting rights held c. summarized financial information about the subsidiary, such as the subsidiary’s assets, liabilities, revenues, profit or loss and cash
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IFRS – ED 10	US GAAP – ASC 810-10-50	PROPOSED DISCLOSURES
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		<p style="text-align: right;">flows</p> <p>View 2 - Do not require these additional disclosures.</p>
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DISCLOSURES FOR UNCONSOLIDATED STRUCTURED ENTITIES AND ASSOCIATED RISKS – AGENDA PAPER 8I AND 8J

	<p>Basis of Control</p> <p>810-10-50-5A A reporting entity that is a primary beneficiary of a VIE or a reporting entity that holds a variable interest in a VIE but is not the entity’s primary beneficiary shall disclose all of the following:</p> <p>a. Its methodology for determining whether the reporting entity is the primary beneficiary of a VIE, including, but not limited to, significant judgments and assumptions made. One way to meet this disclosure requirement would be to provide information about the types of involvements a reporting entity considers significant, supplemented with information about how the significant involvements were considered in determining whether the reporting entity is the primary beneficiary.</p> <p>b. If facts and circumstances change such that the conclusion to consolidate a VIE has changed in the most recent financial statements (for example, the VIE was previously consolidated and is not currently consolidated), the primary factors that caused the change and the effect on the reporting entity’s financial statements.</p> <p>810-10-50-5B A VIE may issue voting equity interests, and the entity that holds a majority voting interest also may be the primary beneficiary of the VIE. If so, and if the VIE meets the definition of a business and the VIE’s assets can be used for purposes other than the settlement of the VIE’s obligations, the disclosures in the preceding paragraph [810-10-50-5A] are not required.</p>	<p>Basis of Control</p> <p>A reporting entity that determines that it is not required to consolidate another entity shall describe the basis for its assessment and shall disclose:</p> <p>a. all significant judgments and assumptions in determining whether it controls another entity; and</p> <p>b. any changes in the control assessment that require significant judgment and the reasons for those changes.</p> <p>Some staff recommend: In situations in which a reporting entity holds a large proportion of the voting rights in a voting interest entity but concludes that it does not control the entity, the reporting entity shall disclose its basis of control.</p> <p>[This requirement applies to decisions relating the assessment of control of all entities, not only unconsolidated structured entities.]</p> <p>This exemption will not be retained in US GAAP; accordingly, these disclosures will be required for all entities.</p>

Nature and extent of involvement**B38**

To achieve the disclosure objective in paragraph 48(d), a reporting entity shall disclose information that enables users of its financial statements to evaluate:

(a) the nature and extent of the reporting entity's involvement with structured entities that it does not control;

B47

If during the reporting period, a reporting entity has, without having a contractual or constructive obligation to do so, provided support to structured entities that were not consolidated at the time of providing the support, it shall disclose:

- (a) the extent of support provided, including its nature and amount, including situations in which the reporting entity assisted the structured entity in obtaining another type of support, or in which there are current intentions to do so;
- (b) an explanation of why the support was provided;
- (c) an explanation of how the provision of the support resulted in the reporting entity controlling the structured entity, if applicable.

Nature and extent of involvement**810-10-50-5A**

A reporting entity that is a primary beneficiary of a VIE or a reporting entity that holds a variable interest in a VIE but is not the entity's primary beneficiary shall disclose all of the following:

d. Qualitative and quantitative information about the reporting entity's involvement (giving consideration to both explicit arrangements and implicit variable interests) with the VIE, including, but not limited to, the nature, purpose, size, and activities of the VIE, including how the VIE is financed.

810-10-50-5A

A reporting entity that is a primary beneficiary of a VIE or a reporting entity that holds a variable interest in a VIE but is not the entity's primary beneficiary shall disclose all of the following:

- c. Whether the reporting entity has provided financial or other support (explicitly or implicitly) during the periods presented to the VIE that it was not previously contractually required to provide or whether the reporting entity intends to provide that support, including both of the following:
 - 1. The type and amount of support, including situations in which the reporting entity assisted the VIE in obtaining another type of support
 - 2. The primary reasons for providing the support.

Nature and extent of involvement

A reporting entity shall provide disclosures that provide qualitative and quantitative information about involvement with unconsolidated structured entities, including summary information about the nature, purpose, size and activities of those structured entities and how the structured entities are financed.

View 1 - If during the reporting period, a reporting entity provided support to a unconsolidated structured entity to ensure that the structured entity continues to operate as designed, regardless of whether it had a contractual or constructive obligation to do so (implicit support), it shall disclose:

- a. The type and amount of support provided, including situations in which the reporting entity assisted the structured entity in obtaining another type of support;
- b. An explanation of why the support was provided; and
- c. An explanation of how the provision of support resulted in the reporting entity controlling the structured entity, if applicable.

View 2 – Provide the above disclosure but include an additional disclosure for situations in which the reporting entity has determined that it intends to provide that support.

<p>Structured entities set up or sponsored</p> <p>B40 In accordance with the disclosure objective in paragraph B38(a), a reporting entity shall disclose information about its involvement with unconsolidated structured entities that the reporting entity set up or sponsored, or with which it has involvement at the date of the consolidated financial statements. This includes summary information about the nature, purpose and activities of the structured entities.</p> <p>B41 A reporting entity shall disclose for unconsolidated structured entities that the reporting entity has set up or sponsored, in tabular format, unless another format is more appropriate, a summary of:</p> <p>(a) income from the reporting entity’s involvement with structured entities, including a description of the types of income presented in the summary; and</p> <p>(b) the value of assets transferred to those structured entities, at the date the transfers were made.</p> <p>The summary shall separate the activity into relevant categories (such as by type of structured entity or asset that exposes the reporting entity to different risks). The reporting entity shall also identify the extent to which the activity relates to structured entities with which the reporting entity has</p>	<p>810-10-50-5B A VIE may issue voting equity interests, and the entity that holds a majority voting interest also may be the primary beneficiary of the VIE. If so, and if the VIE meets the definition of a business and the VIE’s assets can be used for purposes other than the settlement of the VIE’s obligations, the disclosures in the preceding paragraph [810-10-50-5A] are not required</p> <p>Structured entities set up or sponsored</p> <p>Certain of these disclosure requirements are required within the derecognition guidance in U.S. GAAP.</p>	<p>This exemption will not be retained in US GAAP; accordingly, these disclosures will be required for all structured entities.</p> <p>Structured entities set up or sponsored</p> <p>These proposals will be discussed later in the conjunction with the IASB’s derecognition project.</p> <p>Propose to exclude this disclosure requirement— it will be discussed later in the conjunction with the IASB’s derecognition project.</p>
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involvement at the date of the consolidated financial statements and those with which the reporting entity has none.

B42

A reporting entity shall disclose the information in paragraph B41 for the current reporting period and the preceding two reporting periods. A reporting entity shall assess whether this information meets the disclosure objective in paragraph B38(a), and provide comparative information for additional reporting periods if that information is necessary to meet the objective.

Nature of risks**B38**

To achieve the disclosure objective in paragraph 48(d), a reporting entity shall disclose information that enables users of its financial statements to evaluate:

(b) the nature and extent of, and changes in, the market risk (interest rate, prepayment, currency and other price risk), credit risk and liquidity risk from the reporting entity's involvement with structured entities that it does not control. This exposure may arise from both contractual and non-contractual commitments, and from past and present activities.

B43

To achieve the disclosure objective in paragraph B38(b), a reporting entity shall disclose information about its exposure to risks from its involvement with unconsolidated structured entities. The disclosure requirements in paragraphs B44-B47 supplement the disclosure requirements in IFRS 7 *Financial Instruments: Disclosures*.

Nature of risks

Propose to exclude this disclosure requirement— it will be discussed later in the conjunction with the IASB's derecognition project.

Nature of risks**Propose to define 'involvement with a structured entity'.**

View 1 - Exposure to losses beyond the carrying amounts of the reporting entity's assets and liabilities that relate to its involvement with the structured entity
View 2 - Exposure to variability of returns of the structured entity (Variable interest under Subtopic 810-10).

Propose to have a significance threshold to describe involvement with a structured entity.

View 1 - Disclose required if exposure to significant variability of returns
View 2 - Materiality concept retained with no reference to 'significance'. (Consistent with the Statement 167 amendments)

[B38(b) and B43 of ED10 are lead-in paragraphs that do not include specific requirements—we will address in drafting whether they should be retained.]

View 1 - In relation to its involvement with

B44

A reporting entity shall present in tabular format, unless another format is more appropriate, a summary of:

- (a) the carrying amount of the assets and liabilities recognised in the reporting entity's consolidated financial statements relating to the reporting entity's involvement with structured entities.
- (b) the line items in the consolidated statement of financial position in which those assets and liabilities are recognised.
- (c) the reported amount of assets held by structured entities with which the reporting entity has involvement, measured at the date of the reporting entity's consolidated financial statements. The reporting entity shall disclose the measurement basis of the assets presented in the summary, distinguishing between assets originated by the reporting entity and those originated by other entities.
- (d) the amount that best represents the reporting entity's maximum exposure to loss from its involvement with structured entities, including how the maximum exposure to loss is determined.

810-10-50-4

In addition to disclosures required by other guidance, a reporting entity that holds a variable interest in a VIE, but is not the VIE's primary beneficiary, shall disclose:

- a. The carrying amounts and classification of the assets and liabilities in the reporting entity's statement of financial position that relate to the reporting entity's variable interest in the VIE.
- b. The reporting entity's maximum exposure to loss as a result of its involvement with the VIE, including how the maximum exposure is determined and the significant sources of the reporting entity's exposure to the VIE. If the reporting entity's maximum exposure to loss as a result of its involvement with the VIE cannot be quantified, that fact shall be disclosed.
- c. A tabular comparison of the carrying amounts of the assets and liabilities, as required by (a) above, and the reporting entity's maximum exposure to loss, as required by (b) above. A reporting entity shall provide qualitative and quantitative information to allow financial statement users to understand the differences between the two amounts. That discussion shall include, but is not limited to, the terms of arrangements, giving consideration to both explicit arrangements and implicit variable interests, that could require the reporting entity to provide financial

unconsolidated structured entities, a reporting entity shall disclose:

- (a) the carrying amount of the assets and liabilities recognised in the reporting entity's consolidated financial statements relating to the reporting entity's involvement with structured entities.
- (b) the line items in the consolidated statement of financial position in which those assets and liabilities are recognised.

Propose to exclude this disclosure requirement.

- (c) the amount that best represents the reporting entity's maximum exposure to loss from its involvement with structured entities, including how the maximum exposure to loss is determined. If the reporting entity cannot quantify its maximum exposure to loss, it must disclose that fact.

- (d) A comparison of the carrying amounts of the assets and liabilities, as required by (a) above, and the reporting entity's maximum exposure to loss, as required by (c) above. A reporting entity shall provide qualitative and quantitative information to allow financial statement users to understand the differences between the two amounts. That discussion shall include, but is not limited to, the terms of arrangements, giving consideration to both explicit arrangements and implicit arrangements, that could require the reporting entity to provide financial support

<p>B45 The information required in paragraph B44 should be classified into categories that are representative of a reporting entity's exposure to risk (such as by type of structured entity or type of asset).</p> <p>B46 In addition, a reporting entity shall disclose other information that is relevant to an assessment of the risks to which the reporting entity is exposed. That other information might include any of the following:</p> <p>(a) In relation to structured entities' assets, their categories and credit rating, their weighted-average life, and whether any assets have been written down or downgraded by rating agencies.</p> <p>(b) In relation to funding and loss exposure:</p> <p>(i) the forms of structured entities' funding (e.g. commercial paper, medium-term notes) and their weighted-average life. That information might include maturity analyses of the assets and funding of structured entities if the structured entities have longer-term assets funded by shorter-term funding.</p> <p>(ii) any difficulties structured entities have experienced in financing their activities during the reporting period.</p> <p>(iii) losses incurred by the reporting entity during</p>	<p>support (for example, liquidity arrangements and obligations to purchase assets) to the VIE, including events or circumstances that could expose the reporting entity to a loss.</p> <p>d. Information about any liquidity arrangements, guarantees, and/or other commitments by third parties that may affect the fair value or risk of the reporting entity's variable interest in the VIE is encouraged.</p>	<p>(for example, liquidity arrangements and obligations to purchase assets) to the structured entity, including events or circumstances that could expose the reporting entity to a loss.</p> <p>View 2- Prescribe that an entity shall present this information in tabular format, unless another format is more appropriate.</p> <p>Propose to exclude this disclosure requirement.</p> <p>Retain B46 as a list of supplemental disclosures as examples of those that might provide useful information depending on the circumstances. Add to the list of examples, the U.S.GAAP language related to information about any liquidity arrangements, guarantees, and/or other commitments by third parties that may affect the fair value or risk of the reporting entity's involvement with the structured entity.</p>
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<p>the reporting period relating to its involvement with structured entities.</p> <p>(iv) estimated exposure to loss or range of outcomes of that loss that were reasonably possible at the date of the reporting entity's consolidated financial statements, if the reporting entity believes that the maximum exposure to loss is not representative of the estimated exposure to loss. The reporting entity shall explain the methodology used to determine the estimated exposure to loss or range of that loss.</p> <p>(v) whether the reporting entity is required to bear any losses before other investors in the structured entity, the ranking and amounts of losses borne by each category of party involved, and the maximum limit of such losses.</p> <p>(c) The types of returns the reporting entity received during the reporting period from the financial instruments it holds in structured entities.</p> <p>(d) The nature and terms of any obligation of the reporting entity to provide liquidity support to structured entities (e.g. to purchase assets or commercial paper of the structured entity), including:</p> <p>(i) a description of any triggers associated with the obligation.</p> <p>(ii) whether there are any terms that would limit the obligation.</p> <p>(iii) whether there are any other parties that provide liquidity support and, if so, how the reporting entity's obligation ranks with those other parties.</p> <p>(e) In relation to support that has been provided by a reporting entity to structured entities during the reporting period whether:</p> <p>(i) the reporting entity purchased any debt or equity interests in structured entities, and whether</p>		
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any agreement required the reporting entity to make these purchases.

(ii) other assistance was provided to structured entities in obtaining any other type of support.

(iii) there are any current intentions to provide support or other assistance to structured entities in obtaining any other type of support.

Data Availability

B39

If obtaining any of the information for the disclosures required by this [draft] IFRS is impracticable, the reporting entity shall disclose why it is impracticable to obtain the information, and how it manages its exposure to risk from its involvement with unconsolidated structured entities for which it is impracticable to obtain the information.

Data Availability

Not Permitted by U.S. GAAP

Data Availability

Propose to exclude this exemption.