STAFF PAPER

July 2012

IFRS Interpretations Committee Meeting

Project	**IAS 27 *Consolidated and Separate Financial Statements* IAS 28 *Investments in Associates and Joint Ventures***
Paper topic	Accounting for the loss of control of a group of assets or a subsidiary between an investor and its associate or joint venture

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Introduction

1. The Interpretations Committee received a request to clarify whether a business meets the definition of a 'non-monetary asset'. The question was asked within the context of identifying whether the requirements of SIC-13 *Jointly Controlled Entities—Non-Monetary Contributions by Venturers* and IAS 28 I*nvestments in Associates and Joint Ventures* (revised in 2011) apply where a business is contributed to:

   (a) a jointly controlled entity (JCE) as defined in IAS 31 *Interests in Joint Ventures*; or to:

   (b) a joint venture (JV) as defined in IFRS 11 *Joint Arrangements*; or to:

   (c) an associate

   in exchange for an equity interest in that JCE/JV or associate.

2. At the January 2012 Interpretations Committee meeting, the Committee noted that this matter is related to the issues arising from the acknowledged inconsistency between the requirements in IAS 27 *Consolidated and Separate Financial Statements* (revised in 2008) and SIC-13, in dealing with the loss of control of a subsidiary that is contributed to a JCE/JV or an associate. SIC-13 restricts gains and losses arising from contributions of non-monetary assets to a JCE to the

extent of the interest attributable to the other equity holders in the JCE. IAS 27 (2008) requires full profit or loss recognition on the loss of control of the subsidiary.

3. This inconsistency between IAS 27 (2008) and SIC-13 will remain when IFRS 10 *Consolidated Financial Statements* replaces IAS 27 (2008), at which time SIC-13 will be withdrawn. In fact, the requirements in IFRS 10 on the accounting for the loss of control of a subsidiary are similar to the requirements in IAS 27 (2008), and the requirements in SIC-13 are incorporated in IAS 28 (2011).

4. At the March 2012 Interpretations Committee meeting, the Committee discussed various alternatives that would address the inconsistency that had been noted. The Committee decided to ask the Board whether it wants the Committee to consider further how to resolve the inconsistency between the requirements in IAS 27 (2008) and those in SIC-13 on the basis of the different alternatives discussed. In particular, the Committee discussed three alternatives that would address the inconsistency that had been noted:

    (a) Alternative 1: account for all contributions in accordance with the rationale developed in IAS 27 (2008);

    (b) Alternative 2: account for all contributions of businesses (whether housed in a subsidiary or not) in accordance with the rationale developed in IAS 27 (2008) and account for all other contributions in accordance with the rationale developed in SIC-13;

    (c) Alternative 3: account for all contributions to JCE/JV or associate in accordance with the rationale developed in SIC-13.

5. The Committee expressed support for Alternative 1 or Alternative 2. Both alternatives lead to the same outcome for a business that is contributed to a JCE/JV or associate. As a result, with regard to a business that is contributed to a JCE/JV or associate, the Committee expressed support for a full gain recognition on the loss of control of the business (whether the business is housed in a legal entity or not).

6. A majority of Committee members considered that Alternative 1 is the most robust alternative but requires addressing various cross-cutting issues. The

Committee noted that Alternative 2 can be more easily implemented but puts more focus on the definition of a business. Indeed, in Alternative 2, the accounting for contributions of businesses is different from the accounting for contributions of assets that do not constitute a business.

7. The Committee also noted that:

   (a) Alternative 3 is not consistent with the latest thinking of the Board developed in the Business Combination project; and

   (b) other alternatives exist, but they create structuring opportunities.

8. At the May 2012 Board meeting, the staff consulted the Board on this matter. The Board discussed the three alternatives described above. A majority of Board members considered that Alternative 1 is the most robust alternative from a conceptual point of view, but acknowledged that it requires addressing multiple cross-cutting issues. Some Board members were concerned that the Committee would not be able to address those cross-cutting issues on a timely basis.

9. As a result, the Board expressed support for Alternative 2. One Board member suggested that the Committee should also consider Alternative 3 when it decides which alternative to follow.

Structure of the paper

10. This agenda paper includes:

    (a) the Committee's discussions at the January and March 2012 meeting (see introduction above);

    (b) the Board's discussions at the May 2012 meeting (see introduction above);

    (c) the staff's recommendations to address the inconsistency between SIC-13 and IAS 27 (2008);

    (d) Appendix A: Proposed amendments to IFRS 10 and IAS 28 (2011).

Staff's recommendation: apply Alternative 2

Amendments to IAS 28 (2011) and IFRS 10

11. We note that:

    (a) IFRS 10 supersedes IAS 27 (2008) and is effective for annual periods beginning on or after 1 January 2013;

    (b) IAS 28 (2011) supersedes IAS 28 (2003) and SIC-13 and is effective for annual periods beginning on or after 1 January 2013;

    (c) the requirements in IFRS 10 on the accounting for the loss of control of a subsidiary are similar to the requirements in IAS 27 (2008); and

    (d) the requirements in SIC-13 are incorporated in IAS 28 (2011).

12. As a result, because the proposed amendments would become effective only after 2013, we recommend amending only IAS 28 (2011) and IFRS 10. We do not think that there is a need to amend IAS 27 (2008) and SIC-13, because IAS 27 (2008) and SIC-13 will be superseded at the time when the proposed amendments would become effective.

13. In dealing with the conflict between the requirements in IFRS 10 and IAS 28 (2011), the Board and the Interpretations Committee were concerned that the existing requirements could result in the accounting for a transaction being driven by its form rather than by its substance. For example, different accounting might be applied to a transaction involving the same underlying assets depending on whether those assets were transferred in asset or entity form, or on whether those assets were sold in exchange for cash or contributed in exchange for an equity interest.

14. The Board and the Interpretations Committee concluded that:

    (a) the accounting for the loss of control of a business as defined in IFRS 3 *Business Combinations* should be consistent with the latest thinking developed in the Business combinations project; and

(b) a full gain or loss should therefore be recognised on the loss of control of a business, whether the business is housed in a subsidiary or not.

15. Because groups of assets that do not constitute a business were not part of the Business combinations project, the Board and the Interpretations Committee concluded that:

(a) the current requirements in IAS 28 (2011) regarding the partial gain or loss recognition for transactions between an investor and its associate or joint venture should only apply to the gain or loss resulting from the sale or contribution of a group of assets that is not a business; and

(b) a partial gain or loss should also be recognised in accounting for the sale or contribution of a subsidiary that is not a business to an associate or joint venture.

16. As a result, we recommend amending IAS 28 (2011) so that:

(a) the current requirements regarding the partial gain or loss recognition for transactions between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of a group of assets that is not a business as defined in IFRS 3; and

(b) the gain or loss resulting from the sale or contribution of a group of assets that is a business as defined in IFRS 3 to an associate or a joint venture is recognised in full.

17. We also recommend amending IFRS 10 so that the gain or loss resulting from the sale or contribution of a subsidiary that is not a business as defined in IFRS 3 to an associate or a joint venture is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

18. The consequence of these proposed amendments is that a full gain or loss would be recognised on the loss of control of a subsidiary that is a business as defined in IFRS 3, including cases in which the investor retains joint control of, or significant influence over the investee.

19. We also propose to add a reminder that when determining whether a group of assets or a subsidiary that is sold or contributed is a business as defined in IFRS 3,

an entity should consider whether that sale or contribution is part of multiple arrangements that should be accounted for as a single transaction in accordance with the current requirements in paragraph B97 of IFRS 10 *Consolidated Financial Statements*.

20. We note that the FASB followed a similar path and amended SFAS 160 *Noncontrolling Interests in Consolidated Financial Statements* in January 2010 (amendments to Subtopic 810-10, see paragraph 810-10-40-3A) in such a way that it applies to the loss of control of a business that is transferred to an equity method investee or joint venture, regardless of its form (ie whether or not the business is housed in a subsidiary).

21. The proposed amendments are shown in Appendix A.

Considerations regarding ‘upstream’ transactions

22. It should be noted that both ‘upstream’ and ‘downstream’ transactions would be impacted by the proposed amendments in Appendix A. As a result, the current requirements in IAS 28 (2011) regarding the partial gain or loss recognition would apply to ‘upstream’ transactions involving assets that do not constitute a business (such as the sale of a group of assets that is not a business from an associate or a joint venture to the investor), but would not apply to ‘upstream’ transactions involving assets that constitute a business.

23. We acknowledge that the issue raised initially only dealt with ‘downstream’ transactions (such as the sale or contribution of a group of assets from the investor to its associate or its joint venture). We also acknowledge that the Board and the Committee only discussed the accounting for ‘downstream’ transactions.

24. However, we note that if a group of assets that meets the definition of a business was to be sold by an associate or a joint venture to the investor with the result that the investor takes control of that business, the investor would account for this transaction as a business combination in accordance with IFRS 3. In that case, we think that the investor should:

    (a) recognise the assets and liabilities acquired at their fair values; and

(b) recognise its share in the associate's or joint venture's gains or losses resulting from the disposal of the business.

We note that this accounting treatment is consistent with the requirements in IFRS 3 regarding a business combination achieved in stages.

Post-implementation review on IFRS 3/IAS 27

25. The IASB carries out a post-implementation review of each new IFRS. This is normally carried out two years after the new requirements have become mandatory and been implemented. A review will be performed on IFRS 3/IAS 27 in 2012/2013. The review may lead to items being added to the IASB's agenda.

26. However, we think that the Committee should recommend to the Board to make the amendments to IFRS 10 and IAS 28 (2011) immediately in order to deal with the current diversity in practice without waiting for the review.

Considerations regarding Alternative 3

27. In Alternative 3, the guidance in IAS 28 (2011) would apply to all sales and contributions to an associate or a joint venture:

    (a) whether the assets constitute a business or not; and

    (b) whether this is a contribution of a group of assets or a contribution of an interest in a subsidiary.

28. The guidance in IFRS 10 would only apply to contributions of businesses in which the entity that contributes the assets loses control and does not retain joint control or significant influence (ie the entity accounts for a financial asset under IAS 39/IFRS 9 if there is a retained interest).

29. As noted by the Committee and the Board, this alternative is not consistent with the latest thinking of the Board in the Business combinations project and the rationale developed in IAS 27 that a loss of control of a subsidiary is a significant event. As a result, we do not think that this alternative should be applied.

Questions for the Committee
1. Does the Committee agree with the proposed amendments to IFRS 10 and IAS 28 (2011) presented in Appendix A of this paper? 2. Does the Committee agree to propose to the Board that it should publish an exposure draft based on Appendix A of this paper?

Appendix A: [Draft] Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*—Accounting for the loss of control of a group of assets or a subsidiary between an investor and its associate or joint venture

Introduction

A1. The objective of the proposed amendments is to address issues related to the changes made in IAS 27 (2008) *Consolidated and Separate Financial Statements* as part of the Business combinations project. According to IAS 27 (2008), if a parent loses control of a subsidiary, it derecognises the assets and liabilities of that subsidiary, recognises any investment retained in the former subsidiary at fair value and recognises a gain or loss in profit or loss. As a result, the gain or loss includes any gain or loss corresponding to the difference between the fair value of the retained investment in the former subsidiary and its carrying amount at the date when control is lost.

A2. While IAS 27 (2008) provides general guidance on the loss of control of a subsidiary (including cases in which the investor retains joint control of, or significant influence over the investee), some constituents noted that this guidance appears to conflict with the gain or loss guidance in SIC-13 *Jointly Controlled Entities—Non-Monetary Contributions by Venturers*. SIC-13 restricts the gain or loss resulting from the contribution of a non-monetary asset to a jointly controlled entity in exchange for an equity interest in the jointly controlled entity to the extent of the interests attributable to the unrelated equity holders in the jointly controlled entity. The conflict identified is that IAS 27 (2008) requires a full gain or loss recognition on the loss of control of a subsidiary, whereas SIC-13 requires a partial gain or loss recognition in transactions between an investor and its associate or joint venture.

A3. The Board also noted that:

a. IFRS 10 *Consolidated Financial Statements* supersedes IAS 27 (2008) and is effective for annual periods beginning on or after 1 January 2013;

b. IAS 28 (2011) *Investments in Associates and Joint Ventures* supersedes both IAS 28 (2003) *Investments in Associates* and SIC-13 and is also effective for annual periods beginning on or after 1 January 2013;

c. The conflict between the requirements in IAS 27 (2008) and SIC-13 will remain when IFRS 10 replaces IAS 27 (2008) and when SIC-13 will be withdrawn. In fact, the requirements in IFRS 10 on the accounting for the loss of control of a subsidiary are similar to the requirements in IAS 27 (2008). The requirements in SIC-13 are incorporated in IAS 28 (2011) and apply to the contribution of a non-monetary asset to an associate or a joint venture in exchange for an equity interest in the associate or joint venture.

A4. As a result, the Board proposes to amend IAS 28 (2011) so that:

a. the current requirements regarding the partial gain or loss recognition for transactions between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of a group of assets that is not a business as defined in IFRS 3; and

b. the gain or loss resulting from the sale or contribution of a group of assets that is a business as defined in IFRS 3 between an investor and its associate or joint venture is recognised in full.

A5. The Board also proposes to amend IFRS 10 so that the gain or loss resulting from the sale or contribution of a subsidiary that is not a business as defined in IFRS 3 between an investor and its associate or joint venture is recognised only to the extent of the unrelated investors' interests in the associate or joint venture.

A6. The consequence of these proposed amendments is that a full gain or loss would be recognised on the loss of control of a subsidiary that is a business as defined in IFRS 3, including cases in which the investor retains joint control of, or significant influence over, the investee.

A7. The Board also proposes to add a reminder that when determining whether a group of assets or a subsidiary that is sold or contributed is a business as defined in IFRS 3, an entity should consider whether that sale or contribution is part of multiple arrangements that should be accounted for as a single transaction in accordance with the current requirements in paragraph B97 of IFRS 10.

Next steps

A8. The Board will consider the comments that it receives on the proposals and will decide whether to proceed with amendments to IFRS 10 and IAS 28 (2011).

Invitation to comment

The Board invites comments on the questions set out below. Respondents need not comment on all of the questions. Comments are most helpful if they:

(a) respond to the questions as stated;

(b) indicate the specific paragraph or paragraphs to which the comments relate;

(c) contain a clear rationale; and

(d) describe any alternatives that the Board should consider, if applicable.

The Board is not requesting comments on matters not addressed in this exposure draft. Comments should be submitted in writing and must arrive no later than **xxxx**.

Question 1: proposed amendments to IAS 28

The Board proposes to amend IAS 28 (2011) so that:

- the current requirements in IAS 28 (2011) regarding the partial gain or loss recognition for transactions between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of a group of assets that is not a business as defined in IFRS 3; and

- the gain or loss resulting from the sale or contribution of a group of assets that is a business as defined in IFRS 3 between an investor and its associate or joint venture is recognised in full.

Do you agree with the amendments proposed? Why or why not? If not, what alternative do you propose?

Question 2: proposed amendments to IFRS 10

The Board proposes to amend IFRS 10 so that:

- a full gain or loss is recognised on the loss of control of a subsidiary that is a business as defined in IFRS 3, including cases in which the investor retains joint control of, or significant influence over the investee; and

- the gain or loss resulting from the sale or contribution of a subsidiary that is not a business as defined in IFRS 3 between an investor and its associate or joint venture is recognised only to the extent of the unrelated investors' interests in the associate or joint venture.

Do you agree with the amendments proposed? Why or why not? If not, what alternative do you propose?

In IAS 28 (2011), paragraphs 28, 30 and 31 are amended and paragraphs 31A and 31B are added. New text is underlined and deleted text is struck through.

28 Gains and losses resulting from 'upstream' and 'downstream' transactions involving assets that do not constitute a business as defined in IFRS 3 *Business Combinations* between an entity (including its consolidated subsidiaries) and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture. 'Upstream' transactions are, for example, sales of assets that do not constitute a business as defined in IFRS 3 from an associate or a joint venture to the investor. 'Downstream' transactions are, for example, sales or contributions of assets that do not constitute a business as defined in IFRS 3 from the investor to its associate or its joint venture. The investor's share in the associate's or joint venture's gains or losses resulting from these transactions is eliminated.

29 When downstream transactions provide evidence of a reduction in the net realisable value of the assets to be sold or contributed, or of an impairment loss of those assets, those losses shall be recognised in full by the investor. When upstream transactions provide evidence of a reduction in the net realisable value of the assets to be purchased or of an impairment loss of those assets, the investor shall recognise its share in those losses.

30 The gain or loss resulting from the ~~The~~ contribution of a ~~non-monetary asset~~ group of assets that is not a business as defined in IFRS 3 to an associate or a joint venture in exchange for an equity interest in the associate or joint venture shall be accounted for in accordance with paragraph 28, except when the contribution lacks commercial substance, as that term is described in IAS 16 *Property, Plant and Equipment*. If such a contribution lacks commercial substance, the gain or loss is regarded as unrealised and is not recognised unless paragraph 31 also applies. Such unrealised gains and losses shall be eliminated against the investment accounted for using the equity method and shall not be presented as deferred gains or losses in the entity's consolidated statement of financial position or in the entity's statement of financial position in which investments are accounted for using the equity method.

31 If, in addition to receiving an equity interest in an associate or a joint venture, an entity receives monetary or non-monetary assets, the entity recognises in full in profit the portion of the gain or loss on the ~~non-monetary~~ contribution relating to the monetary or non-monetary assets received.

31A The gain or loss resulting from the sale or contribution of a group of assets that is a business as defined in IFRS 3 between an investor (including its consolidated subsidiaries) and its associate or joint venture is recognised in full in the investor's financial statements (ie the investor's interest in the gains or losses resulting from these transactions is not eliminated).

31B When determining whether assets that are sold or contributed constitute a business as defined in IFRS 3, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction in accordance with the requirements in paragraph B97 of IFRS 10.

In IFRS 10, paragraphs 25A, B99A and B99B are added. New text is underlined and deleted text is struck through.

Loss of control

25 If a parent loses control of a subsidiary, the parent:

(a) derecognises the assets and liabilities of the former subsidiary from the consolidated statement of financial position.

(b) recognises any investment retained in the former subsidiary at its fair value when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant IFRSs. That fair value shall be regarded as the fair value on initial recognition of a financial asset in accordance with IFRS 9 or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

(c) recognises the gain or loss associated with the loss of control attributable to the former controlling interest.

<u>25A However, the gain or loss resulting from the sale or contribution of a subsidiary that is not a business as defined in IFRS 3 between an investor (including its consolidated subsidiaries) and its associate or joint venture is recognised in the investor's financial statements only to the extent of the unrelated investors' interests in the associate or joint venture.</u>

26 Paragraphs B97–B99 set out guidance for the accounting for the loss of control of a subsidiary.

Loss of control

B97 A parent might lose control of a subsidiary in two or more arrangements (transactions). However, sometimes circumstances indicate that the multiple arrangements should be accounted for as a single transaction. In determining whether to account for the arrangements as a single transaction, a parent shall consider all the terms and conditions of the arrangements and their economic effects. One or more of the following indicate that the parent should account for the multiple arrangements as a single transaction:

(a) They are entered into at the same time or in contemplation of each other.

(b) They form a single transaction designed to achieve an overall commercial effect.

(c) The occurrence of one arrangement is dependent on the occurrence of at least one other arrangement.

(d) One arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements. An example is when a disposal of shares is priced below market and is compensated for by a subsequent disposal priced above market.

B98 If a parent loses control of a subsidiary, it shall:

(a) derecognise:

(i) the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost; and

(ii) the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them).

(b) recognise:

(i) the fair value of the consideration received, if any, from the transaction, event or circumstances that resulted in the loss of control;

(ii) if the transaction, event or circumstances that resulted in the loss of control involves a distribution of shares of the subsidiary to owners in their capacity as owners, that distribution; and

(iii) any investment retained in the former subsidiary at its fair value at the date when control is lost.

(c) reclassify to profit or loss, or transfer directly to retained earnings if required by other IFRSs, the amounts recognised in other comprehensive income in relation to the subsidiary on the basis described in paragraph B99.

(d) recognise any resulting difference as a gain or loss in profit or loss attributable to the parent.

B99 If a parent loses control of a subsidiary, the parent shall account for all amounts previously recognised in other comprehensive income in relation to that subsidiary on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income would be reclassified to profit or loss on the disposal of the related assets or liabilities, the parent shall reclassify the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses control of the subsidiary. If a revaluation surplus previously recognised in other comprehensive income would be transferred directly to retained earnings on the disposal of the asset, the parent shall transfer the revaluation surplus directly to retained earnings when it loses control of the subsidiary.

B99A However, the gain or loss resulting from the sale or contribution of a subsidiary that is not a business as defined in IFRS 3 between an investor (including its consolidated subsidiaries) and its associate or joint venture is recognised in the investor's financial statements only to the extent of the unrelated investors' interests in the associate or joint venture (ie the investor's interest in the gains or losses resulting from these transactions is eliminated).

B99B When determining whether a subsidiary whose control is lost is a business as defined in IFRS 3, an entity shall consider whether the loss of control of that subsidiary is part of multiple arrangements that should be accounted for as a single transaction in accordance with the requirements in paragraph B97.

Basis for conclusions on the proposed amendments

A9. The IFRS Interpretations Committee (the Interpretations Committee) received a request to clarify whether a business meets the definition of a 'non-monetary asset'. The question was asked within the context of identifying whether the requirements of SIC-13 *Jointly Controlled Entities— Non-Monetary Contributions by Venturers* and IAS 28 *Investments in Associates and Joint Ventures* (2011) apply where a business is contributed to:

a. a jointly controlled entity as defined in IAS 31 *Interests in Joint Ventures*; or to:

b. a joint venture as defined in IFRS 11 *Joint Arrangements*; or to:

c. an associate

in exchange for an equity interest in that jointly controlled entity, joint venture or associate.

A10. The Board and the Interpretations Committee noted that this matter is related to the issues arising from the acknowledged inconsistency between the requirements in IAS 27 *Consolidated and Separate Financial Statements* (2008) and SIC-13, in dealing with the loss of control of a subsidiary that is contributed to a jointly controlled entity, a joint venture or an associate. SIC-13 restricts gains and losses arising from contributions of non-monetary assets to a jointly controlled entity, a joint venture or an associate to the extent of the interest attributable to the unrelated equity holders in the investee. IAS 27 (2008) requires full profit or loss recognition on the loss of control of the subsidiary.

A11. This inconsistency between IAS 27 (2008) and SIC-13 will remain when IFRS 10 *Consolidated Financial Statements* replaces IAS 27 (2008) and when SIC-13 will be withdrawn. In fact, the requirements in IFRS 10 on the accounting for the loss of control of a subsidiary are similar to the requirements in IAS 27 (2008) and the requirements in SIC-13 are incorporated in IAS 28 (2011). Because IAS 27 (2008) and SIC-13 will be superseded at the time when the proposed amendments would become effective, the Board and the Interpretations Committee proposed to amend only IAS 28 (2011) and IFRS 10.

A12. In dealing with the conflict between the requirements in IFRS 10 and IAS 28 (2011), the Board and the Interpretations Committee were concerned that the existing requirements could result in the accounting for a transaction being driven by its form rather than by its substance. For example, different accounting might be applied to a transaction involving the same underlying assets depending on whether those assets were transferred in asset or entity form, or on whether those assets were sold in exchange for cash or contributed in exchange for an equity interest.

A13. The Board and the Interpretations Committee concluded that:

a. the accounting for the loss of control of a business as defined in IFRS 3 should be consistent with the latest thinking developed in the Business combinations project; and

b. a full gain or loss should therefore be recognised on the loss of control of a business, whether the business is housed in a subsidiary or not.

A14. Because groups of assets that do not constitute a business were not part of the Business combinations project, the Board and the Interpretations Committee concluded that:

a. the current requirements in IAS 28 (2011) regarding the partial gain or loss recognition for transactions between an investor and its associate or joint venture should only apply to the gain or loss resulting from the sale or contribution of a group of assets that is not a business; and

b. a partial gain or loss should also be recognised in accounting for the sale or contribution of a subsidiary that is not a business between an investor and its associate or joint venture.

A15. The Board and the Interpretations Committee decided that both ‘upstream’ and ‘downstream’ transactions should be impacted by the proposed amendments to IAS 28 (2011) and IFRS 10. The Board and the Interpretations Committee noted that if a group of assets that meets the definition of a business was to be sold by an associate or a joint venture to the investor with the result that the investor takes control of that business, the investor would account for this transaction as a business combination in accordance with IFRS 3. In that case, the Board and the Interpretations Committee concluded that the investor should:

a. recognise the assets and liabilities acquired at their fair values; and

b. recognise its share in the associate's or joint venture's gains or losses resulting from the disposal.

The Board and the Interpretations Committee noted that this accounting treatment is consistent with the requirements in IFRS 3 regarding a business combination achieved in stages.