STAFF PAPER

IFRS Interpretations Committee Meeting

January 2013

Project	**IAS 27 *Consolidated and Separate Financial Statements*— Non-cash acquisition of non-controlling interest**		
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Introduction

1. In June 2012, the IFRS Interpretations Committee (the Interpretations Committee) received a request for guidance on the accounting for the purchase of a non-controlling interest (NCI) by the controlling shareholder when the consideration includes non-cash items.

2. The submitter asked the Interpretations Committee to clarify whether the difference between the fair value of the consideration given and the carrying amount of such consideration should be recognised in equity or in profit or loss. The submitter asserted that according to paragraph 31 of IAS 27[1] *Consolidated and Separate Financial Statements* the difference described should be recognised in equity, whereas applying IFRIC 17 *Distributions of Non-cash Assets to Owners* by analogy the difference should be recognised in profit or loss. The submitter asked the Interpretations Committee to resolve this apparent conflict between IAS 27 and IFRIC 17.

3. The Interpretations Committee discussed the issue in its September[2] meeting.

[1] The requirements of IFRS 10 *Consolidated Financial Statements* are practically the same.

[2] See Agenda Papers 11 http://www.ifrs.org/Meetings/Pages/IFRSInterSept12.aspx

4. In the September meeting, the Interpretations Committee tentatively decided not to add this issue to its agenda, because the existing IFRS requirements provide sufficient guidance. The difference between the carrying amount of NCI and the fair value of the consideration given should be recognised in equity. The difference between the fair value of the consideration given and the carrying amount of such consideration should be recognised in profit or loss in the controlling shareholders' consolidated financial statements.

5. We received two comment letters on the tentative agenda decision. We analyse the comment letters in the following paragraphs.

Comment analysis

6. Both of the respondents agree with the decision not to add this issue to the Interpretations Committee's agenda and with the reasons provided in the tentative agenda decision.

7. One of the respondents[3] suggests that the sentence "IFRSs generally require an entity to recognise, in profit or loss, any gain or loss arising from the derecognition of an asset" could be enhanced by reference to the specific requirements of paragraph 68 of IAS 16 *Property, Plant and Equipment* and paragraph 113 of IAS 38 *Intangible Assets*.

8. We prefer the current "general" wording of the tentative agenda decision, because not only IAS 16 and IAS 38 deal with the derecognition of an asset (see for example the requirements in IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 9 *Financial Instruments*, IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* and IAS 28 *Investments in Associates and Joint Ventures*).

Staff recommendation

9. Having considered the comments received on the tentative agenda decision, we recommend that the Interpretations Committee should finalise its decision not to

[3] Deloitte

add this issue to its agenda. The proposed wording of the final agenda decision is shown in Appendix A to this paper.

Questions for the Interpretations Committee
1. Does the Interpretations Committee agree with the staff's recommendation that the Interpretations Committee should finalise its decision not to add this issue to its agenda? 2. Does the Interpretations Committee have any comments on the proposed wording in Appendix A for the final agenda decision?

Appendix A—Proposed wording for final agenda decision

A1 The proposed wording for the final agenda decision is presented below (new text is underlined and deleted text is struck through):

IAS 27 *Consolidated and Separate Financial Statements* and IFRS 10 *Consolidated Financial Statements*—Non-cash acquisition of non-controlling interest by a controlling shareholder in the consolidated financial statements

The Interpretations Committee received a request for guidance on the accounting for the purchase of a non-controlling interest (NCI) by the controlling shareholder when the consideration includes non-cash items. More specifically, the submitter asked the Interpretations Committee to clarify whether the difference between the fair value of the consideration given and the carrying amount of such consideration should be recognised in equity or in profit or loss. The submitter asserted that according to paragraph 31 of IAS 27 the difference described should be recognised in equity, whereas applying IFRIC 17 *Distributions of Non-cash Assets to Owners* by analogy the difference should be recognised in profit or loss. The submitter asked the Interpretations Committee to resolve this apparent conflict between IAS 27 and IFRIC 17.

The Interpretations Committee noted that paragraph 31 of IAS 27 deals solely with the difference between the carrying amount of NCI and the fair value of the consideration given; this difference is required to be recognised in equity. This paragraph does not deal with the difference between the fair value of the consideration given and the carrying amount of such consideration. The difference between the fair value of the assets transferred and their carrying amount arises from the derecognition of those assets. IFRSs generally require an entity to recognise, in profit or loss, any gain or loss arising from the derecognition of an asset.

Consequently, the Interpretations Committee concluded that in the light of the existing IFRS requirements, an interpretation or an amendment to IFRS was not necessary and consequently ~~[~~decided~~]~~ not to add this issue to its agenda.

Accounting Standards Board
AcSB
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Conseil des normes comptables

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October 23, 2012

(via email to ifric@ifrs.org)

IFRS Interpretations Committee
30 Cannon Street, 1st Floor
London EC4M 6XH
United Kingdom

Dear Sirs:

IAS 27 *Consolidated and Separate Financial Statements* and IFRS 10 *Consolidated Financial Statements*—Non-cash acquisition of non-controlling interest by a controlling shareholder in the consolidated financial statements

This letter is the response of the staff of the Canadian Accounting Standards Board (AcSB) to the IFRS Interpretations Committee's tentative agenda decision on the non-cash acquisition of a non-controlling interest by a controlling shareholder published in the September 2012 IFRIC Update.

The views expressed in this letter take into account comments from individual members of the AcSB staff but do not necessarily represent a common view of the AcSB or its staff. Views of the AcSB are developed only through due process.

We agree with the Committee's decision not to add this item to its agenda for the reasons provided in the tentative agenda decision.

If you require further information, please contact me at +1 416 204-3276 (email peter.martin@cica.ca) or Mark Walsh, Principal, Accounting Standards at +1 416 204-3453 (email mark.walsh@cica.ca).

Yours truly,

Peter Martin

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Director, Accounting Standards

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Mr Wayne Upton
Chairman
IFRS Interpretations Committee
30 Cannon Street
London
United Kingdom
EC4M 6XH

Email: ifric@ifrs.org

28 November 2012

Dear Mr Upton,

Tentative agenda decision: IAS 27 Consolidated and Separate Financial Statements and IFRS 10 Consolidated Financial Statements – Non-cash acquisition of non-controlling interest by a controlling shareholder in the consolidated financial statements

Deloitte Touche Tohmatsu Limited is pleased to respond to the IFRS Interpretation Committee's publication in the September 2012 *IFRIC Update* of the tentative decision not to take onto the IFRIC's agenda a request for interpretation of whether the difference between the carrying amount and fair value of non-cash consideration for the purchase of a non-controlling interest should be recognised in profit or loss in the controlling shareholders' consolidated financial statements.

We agree with the IFRS Interpretations Committee's decision not to add this item onto its agenda but note that the reference to IFRSs 'generally requiring' recognition of a gain or loss on derecognition of an asset in profit or loss could be enhanced by reference to the specific requirements of paragraph 68 of IAS 16 *Property, Plant and Equipment* and paragraph 113 of IAS 38 *Intangible Assets*.

If you have any questions concerning our comments, please contact Veronica Poole in London at +44 (0)20 7007 0884.

Yours sincerely,

Veronica Poole
Global IFRS Leader
Technical