STAFF PAPER

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IFRS Interpretations Committee Meeting

Project	IAS 28 *Investments in Associates and Joint Ventures*		
Paper topic	Elimination of gains arising from a transaction between a joint venturer and its joint venture		
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Introduction

1. In January 2013, the IFRS Interpretations Committee ('the Interpretations Committee') received a request to clarify the accounting for a transaction between a joint venturer (an entity) and its joint venture. The request describes a circumstance in which the amount of gains to eliminate from the transaction exceeds the amount of the entity's interest in the joint venture.

2. In its March 2013 meeting, the Interpretations Committee discussed this issue and requested the staff to bring further analysis and any proposed amendments to IAS 28 to the next meeting.

3. This agenda paper is organised as follows:

   (a) Summary of the issue

   (b) Summary of the discussion

   (c) Summary of outreach conducted

   (d) Staff analysis

   (e) Staff recommendation

   (f) Consideration of the submitter's further comment

(g) Appendix A—Proposed wording for tentative agenda decision.

Summary of the issue[1]

4. The submitter states that:

   (a) a joint venturer (an entity) entered into a 'downstream' transaction (finance lease) with its joint venture;

   (b) the entity, therefore, uses the equity method and eliminates the gain from this transaction to the extent of the related interest in the joint venture in accordance with paragraph 28 of IAS 28;

   (c) however, the entity's gain to be eliminated from the transaction exceeds the carrying amount of the entity's interest in the joint venture; and

   (d) in this situation, there are two views :

   View A—the gain from the transaction is eliminated only to the extent that it does not exceed the carrying amount of the entity's interest in the joint venture, similarly to the requirement in paragraph 39 of IAS 28; or

   View B—the remaining gain in excess of the carrying amount of the entity's interest in the joint venture should also be eliminated.

5. In addition, the submitter also provided a further comment that:

   - some practitioners question whether the entity, having a 50 per cent of ownership interest in the joint venture, retains substantial risks and rewards associated with the leased asset from a consolidated perspective. Accordingly, they raise the question of whether the leased asset still qualifies as a finance lease, because the consolidated group (the reporting entity) has not surrendered substantially all the risks and rewards incidental to ownership of the asset; and

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[1] Refer to the agenda paper for March 2013 IFRS Interpretations Committee meeting http://agenda paper 13 for March 2013 IFRS IC meeting

- a further question can be raised as to whether the classification of operating and finance lease differs depending on whether the lease transaction is viewed on a single entity or on a consolidated basis (ie when the equity method is applied).

Summary of the discussion[2]

6. In its March meeting, the Interpretations Committee discussed this question and noted that:

   (a) the entity should eliminate all of its share of the gain from the transaction even if the entity's share of the gain exceeds the carrying amount of the entity's interest in the joint venture (**View B**), referring to paragraph 28 of IAS 28; and

   (b) this principle applies to all 'downstream' transactions and not only to the finance lease example in the submission.

7. The Interpretations Committee then discussed how to present the corresponding entry for the amount of the eliminated gain that exceeds the carrying amount of the entity's interest in the joint venture.

8. The Interpretations Committee considered two methods for how to account for the corresponding entry for such eliminated gain, which are **(Method 1) present as deferred gain** and **(Method 2) reduce the related asset** (ie in the submitter's case, the lease receivable). A majority of the Interpretations Committee members expressed support for Method 2.

9. When considering Method 2, the Interpretations Committee discussed whether the accounting would be different if the related asset is cash or cash equivalents. Some members of the Interpretations Committee viewed that if the related asset is cash or cash equivalents, the gain or loss from downstream transactions should be recognised in profit or loss. Other members of the Interpretations Committee, however, pointed out that recognising the gain or loss in profit or loss would be in conflict with the Interpretations Committee's

[2] Refer to the IFRIC *Update* http://media.ifrs.org/2013/IFRIC/March/IFRIC-Update-March-2013.pdf

conclusion that an entity is required to eliminate all of its share of the gain from the transaction even if the entity's share of the gain exceeds the carrying amount of the entity's interest in the joint venture. Consequently, these members of the Interpretations Committee suggested that the eliminated gain should be presented as deferred gains if the related asset is cash or cash equivalents.

10. The Interpretations Committee requested the staff to bring further analysis and any proposed amendments to IAS 28 to the next meeting.

Summary of outreach conducted

11. We presented an oral update on the result of outreach activities at the March Interpretations Committee meeting, because the outreach request was still outstanding (it was due by 1 March 2013) when the agenda paper for the March Interpretations Committee meeting was completed.

12. Consequently, we are providing a written report in this agenda paper.

13. We asked the members of IFASS (International Forum of Accounting Standard Setters) and securities regulators about the issue. The specific question asked were:

Q1. Is the fact pattern described in the submission common or relevant in your jurisdiction?

Q2. If you answered "yes" to Q1, what is the prevalent approach in your jurisdiction to account for elimination of gains described in the submission, and why? Also, if View B is the prevalent accounting in your jurisdiction, where is the corresponding entry recorded for the remaining gains to be eliminated that exceeding the carrying amount of the entity's interest in the joint venture, and why?

Q3. Do you see any diversity in practice in that accounting? If so, please explain how and why the accounting is diversified.

Q4. With regard to the further comments[3] raised by the submitter, have you encountered the same concerns? If so, how have the concerns been addressed?

14. We received twelve responses from the members of IFASS:

Asia/Oceania	4
Europe	4
North America	2
Africa	1
South America	1
Total	12

15. We also received two responses from regulators.

Preliminary findings from outreach

16. With regard to Question 1, nine respondents said that this is not a common issue in their jurisdictions, while three respondents stated that the issue is common in their jurisdictions.

17. With regard to Questions 2 and 3, among the three respondents who said the issue is common, only one said that there is a prevalent approach, which is View A. Among the other nine respondents, who said the issue is not common, three jurisdictions said that View B would be the appropriate accounting.

18. Eight respondents said that they see diversity in practice, two respondents said that there is no diversity in terms of View A or View B (one sees View A as the prevalent approach, and the other expressed an opinion that View B is more appropriate).

19. Many respondents said that if View B is taken, deferred income would be the appropriate corresponding entry. However, one respondent said that it should

[3] For the submitter's further comment, please refer to paragraph 5 of this paper under the title of 'Summary of the issue'.

be eliminated against the lease receivable. In addition, one respondent mentioned that it could be recognised in equity and another viewed that it could be recognised in other comprehensive income.

20. With regard to Question 4, no respondent indicated that they encountered the same problem. In addition, many respondents viewed that the characteristics of a joint arrangement would not affect the classification of a lease.

21. Two regulators said that they had not encountered the same issue in their jurisdiction.

22. The result of our outreach activities indicates that although this issue is common in some jurisdictions, it is not widespread across all jurisdictions.

23. The result also shows that there are divergent views as to whether all of the entity's share of the gain should be eliminated when it exceeds the carrying amount of the entity's interest in the joint venture. However, many supported using deferred income if View B is taken.

24. Regarding the submitter's further comment, it is not a common concern.

Staff analysis

25. As mentioned above, the Interpretations Committee, at its March 2013 meeting, observed that the entity should eliminate the gain from a 'downstream' transaction to the extent of related investors' interests in the joint venture, even if the amount of the gain to be eliminated exceeds the carrying amount of the entity's interest in the joint venture. The Interpretations Committee referred to paragraph 28 of IAS 28, which deals only with the partial recognition of gains, but not about the limitation on the investment in the joint venture.

26. Consequently, our analysis below is limited to how to present the corresponding entry for the amount of the gain that is to be eliminated and that is in excess of the carrying amount of the entity's interest in the joint venture.

27. We note that the Interpretations Committee had considered two methods for how to account for the corresponding entry for the eliminated gain which is in excess of the carrying amount of the entity's interest in the joint venture:

(Method 1) present as deferred gains and **(Method 2)** reduce the related asset that the entity receives.

28. We also note that the Interpretations Committee, while considering Method 2, discussed whether the accounting would depend on the type of the related asset. For example, the Interpretations Committee discussed whether it would be appropriate to recognise the gain or loss from a downstream transaction in profit or loss if the related asset is cash or cash equivalents.

29. Consequently, we need to consider the following methods for how to account for the corresponding entry for the eliminated gain in excess of the carrying amount of the entity's interest in the joint venture:

    (a) **(Method 1)** present as deferred gain;

    (b) **(Method 2A)** reduce the related asset, but if the related asset is cash or cash equivalents, recognise the eliminated gain in profit or loss; and

    (c) **(Method 2B)** reduce the related asset, but if the related asset is cash or cash equivalents, present the eliminated gain as a deferred gain.

30. We first performed an analysis focusing on whether the recognition of the gain or loss from a downstream transaction can be dependent on the type of the asset that the entity receives.

Issue 1: Does the recognition of the gain or loss from a downstream transaction depend on the type of the asset that the entity receives?

Consolidation procedures approach

31. We note that paragraph 26 of IAS 28 states that "many of the procedures that are appropriate for the application of the equity method are similar to the consolidation procedures described in IFRS 10." In this regard, we think that paragraph 28 of IAS 28 is similar to paragraph B86(c) of IFRS 10. The reason is that paragraph 28 of IAS 28 requires an entity to partially eliminate the gain or loss from 'downstream' and 'upstream' transaction, while paragraph B86(c) of IFRS 10 requires an entity to eliminate in full intragroup

assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group.

32. We also note that if a parent entity sold an asset to its subsidiary, the eliminated gain or loss from the transaction would be recognised in consolidated profit or loss when the asset is used by the subsidiary or sold to a third party under IFRS 10. This recognition of the eliminated gain or loss in consolidated profit or loss does not depend on the type of the asset that a parent entity receives in a transaction with its subsidiary.

33. Consequently, we think that if '**Consolidation procedures approach**' as noted above is applied to the recognition of the gain or loss from a downstream transaction under IAS 28, the elimination and subsequent recognition of the gain or loss from the transaction would not be dependent on the type of the asset that the entity receives. Instead, the eliminated gain or loss would be recognised as and when the transferred asset is used or sold by the associate or joint venture.

Contribution of non-monetary asset approach

34. We note that IAS 28 separately sets out the requirement for 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 (hereinafter referred to as '**Contribution of non-monetary asset approach**'). Paragraph 30 and paragraph 31 of IAS 28 read as follows [emphasis added]:

> 30 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 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 or loss the portion of the gain or loss on the non-monetary contribution relating to the monetary or non-monetary assets received**.

35. If we summarise the requirements above, it would be to say that:
    (a) if the contribution of a non-monetary asset has commercial substance, the entity eliminates the gain or loss partially in accordance with the requirement for 'downstream' transactions in paragraph 28 of IAS 28;
    (b) if the contribution has no commercial substance, the entity eliminates the gain or loss in full;
    (c) however, if the entity receives other assets in addition to equity interests, it recognises in full in profit or loss the gain or loss relating to the other assets.

36. We also note that paragraph BCZ36 of IAS 28 provides a basis for the accounting described in paragraph 31 of IAS 28 (ie the accounting summarised in paragraph 34(b) (ii) above). Paragraph BCZ 36 of IAS 28 reads [emphasis added]:

> BCZ36 To the extent that the entity also receives monetary or non-monetary assets dissimilar to the assets contributed in addition to equity interests in the investee, **the realisation of which is not**

> **dependent on the future cash flows of the investee, the earnings process is complete. Accordingly, an entity should recognise in full in profit or loss** the portion of the gain or loss on the non-monetary contribution relating to the monetary or non-monetary assets received.

37. We think that the principle prescribed in paragraph 31 and BCZ36 of IAS 28 for contribution transaction is different from the approach used in IAS 28 for 'downstream' transactions and is different from 'Consolidation procedures approach' in IFRS 10. The guidance in paragraph 31 requires an entity to recognise the gain or loss depending on the asset the entity receives. In other words, this paragraph requires an entity to fully recognise in profit or loss the gain or loss relating to the asset the entity receives, on the grounds that the asset is no longer dependent on the future cash flows of the investee. On the other hand, in IFRS 10, the recognition of the gain or loss in profit or loss is not dependent on the asset a (parent) entity receives in a transaction with its subsidiary.

Applying 'Consolidation procedures approach'

38. We think that applying 'Contribution of non-monetary asset approach' to the case of elimination of the gain or loss from a 'downstream' transaction is not appropriate. This is because applying this principle would be in conflict with the requirement in paragraph 28 of IAS 28, which requires an entity to partially eliminate the gain or loss.

39. Furthermore, we think that 'Contribution of non-monetary asset approach' is set out in the Standard to address only the specific case of a contribution of a non-monetary asset to an associate or joint venture in exchange for an equity interest in the associate or joint venture. Consequently, it would not be appropriate to apply this principle to the submitter's case, which is a general commercial transaction between an entity and its associate or joint venture.

40. Consequently, we think that 'Consolidation procedures approach' should be applied to the submitter's case. We therefore think that in the submitter's

case, it would be inappropriate to recognise the eliminated gain in profit or loss when the related asset is cash or cash equivalents. In other words, **Method 2A** would not be appropriate.

41. We also think that Method 2B is inconsistent with 'Consolidation procedures approach' because this method is also dependent on the type of the asset that the entity receives in terms of how to recognise the gain or loss. Method 2B means that the eliminated gain is recognised as deferred gain only when the entity receives cash or cash equivalents, whereas the eliminated gain is reduced against the related asset when the entity receives asset other than cash or cash equivalents.

42. We also think that Method 2B is in conflict with the requirements in other Standards. For example, if the related asset is an item of property, plant and equipment in accordance with IAS 16, reducing the related asset would be at odds with the requirement for measurement and recognition in IAS 16.

43. Consequently, we think that **Method 2B** would not be appropriate.

Issue 2: Can deferred gain be used as the corresponding entry for the eliminated gain from a 'downstream' transaction?

44. To determine whether Method 1 is appropriate, it will be necessary to examine whether deferred gain can be used as the corresponding entry for the eliminated from a 'downstream' transaction.

Applicability of paragraph 30 of IAS 28

45. We note that the Interpretations Committee had considered whether the corresponding entry for the eliminated gain can be presented as deferred gain. The Interpretations Committee, in its discussion, asked whether paragraph 30 of IAS 28 would be in conflict with using deferred gain, because this paragraph states that deferred gain or loss should not be used.

46. We therefore cite paragraph 30 of IAS 28, which reads as follows [emphasis added]:

> 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 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.

47. We think that although this paragraph prohibits the use of deferred gains or losses, it is not applicable to our case directly or by analogy. The reason is that in the case of the contribution of a non-monetary asset to an associate or a joint venture, the prohibition on presenting as deferred gain or loss relates to the circumstances in which the transaction lacks commercial substance, in which case all of the gain or loss is eliminated.

48. Recognising a gain or loss in such a circumstance, even if as a deferred gain or loss, is therefore inconsistent with the assessment that the transaction lacks commercial substance. However, the downstream transaction that we are focusing on is already assumed to have commercial substance. Consequently, we think that paragraph 30 of IAS 28, which prohibits the use of deferred gain or loss, is not applicable to our case.

Consistency with other Standards

49. We are aware that using deferred gain or loss could be in conflict with the current Standards because such deferred gain or loss may not meet the recognition criteria for asset or liabilities as defined in *the Conceptual Framework for Financial Reporting*.

50. However, we note that IAS 20 *Accounting for Government Grants and disclosures of Government Assistance* permits using 'deferred income', which reads as follows:

> 24 Government grants related to assets, including non-monetary grants at fair value, shall be presented in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

51. Consequently, we think that using 'deferred gain' in our issue can be justified because it is not prohibited in any other Standards and besides, IAS 20 explicitly permits using it.

52. On the basis of the analysis above, we think that **Method 1** is the appropriate method as the corresponding entry for the eliminated gain from a 'downstream' transaction.

Question 1 for the Interpretations Committee
Does the Interpretations Committee agree with the staff analysis that Method 2A and Method 2B are inconsistent with aspects of IAS 28 and are therefore inappropriate to account for the corresponding entry for the gain to be eliminated in excess of the carrying amount of the entity's interest in the joint venture? Does the Interpretations Committee agree with the staff analysis that Method 1 is the appropriate method as the corresponding entry for the eliminated gain in excess of the carrying amount of the entity's interest in the joint venture from a 'downstream' transaction?

Issue 3: Does the Interpretations Committee need to take this issue onto the agenda?

53. We note that IAS 28 does not explicitly provide guidance on how an entity is required to account for the corresponding entry for the eliminated gain or loss arising from 'upstream' or 'downstream' transactions. We note however that in the case of 'downstream' transactions, the prevalent accounting in practice is to eliminate the gain or loss from such transactions against the investment accounted for using the equity method (hereinafter referred to as 'the investment account').

54. We think that this practice is appropriate because it is consistent with 'Consolidation procedures approach'. More specifically, the consistency with 'Consolidation procedures approach' is based on the fact that:

    (a) in paragraph 31 of this paper, we noted that partial elimination of the gain or loss from 'downstream' and 'upstream' transaction is in line with 'Consolidation procedures approach'; and

    (b) the gain or loss from 'downstream' transaction is partially eliminated to the extent of unrelated investors' interests in the associate or joint venture.

55. Meanwhile, in our analysis for the corresponding entry for the eliminated gain in excess of the carrying amount of the entity's interest in the joint venture, we provided an analysis that **Method 2A** and **Method 2B** are not consistent with 'Consolidation procedures approach'; and we suggested that **Method 1** (ie present as deferred gain) is the only appropriate accounting.

56. It implies that Method 1 can be justified on the same reason as eliminating against the investment account is justified, which is the consistency with 'Consolidation procedures approach'.

57. Consequently, we think that the current Standards provide a principle on how to account for the corresponding entry for the eliminated gain in excess of the carrying amount of the entity's interest in the joint venture.

Staff recommendation

58. On the basis of the discussion at the March 2013 IFRS Interpretations Committee meeting and of the staff analysis in this agenda paper, we do not recommend adding this issue to the Interpretations Committee's agenda. In our view:

    (a) paragraph 28 of IAS 28 is clear that an entity should eliminate the gain from a 'downstream' transaction to the extent of related investors' interests in the joint venture even if the gain to be eliminated exceeds the carrying amount of the entity's interest in the joint venture;

(b) presenting as deferred gain the eliminated gain in excess of the carrying amount of the entity's interest in the joint venture is appropriate on the basis of 'Consolidation procedures approach';

(c) however, IAS 28 does not provide general guidance on how to present the corresponding entry for the eliminated gain or loss in 'downstream' and 'upstream' transactions and therefore, this issue relates to a lack of guidance but not to a conflict of guidance;

(d) it would not be possible to add guidance on this specific issue without also adding more general guidance on 'downstream' and 'upstream' transactions; and

(e) more general guidance would require a broader project on equity accounting. We think that if a broader project is to be undertaken, it should be undertaken by the IASB rather than the Interpretations Committee.

59. We have set out proposed wording for the tentative agenda decision in **Appendix A.**

Question 2 for the Interpretations Committee
Does the Interpretations Committee agree with the staff recommendation not to take this issue onto the Interpretations Committee's agenda? Does the Interpretations Committee agree with the proposed wording of the tentative agenda decision set out in Appendix A?

Consideration of the submitter's further comment

60. In the March agenda paper, we presented an analysis of the submitter's further comment[4]. However, because the Interpretations Committee did not discuss this issue at its March meeting, we reproduce[5] the analysis for deliberation.

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[4] For the submitter's further comment, please refer to paragraph 5 of this report under the title of 'Summary of the Issue'.

[5] Some paragraphs have been modified.

61. Basically, the submitter's further comment is a question as to whether a lease transaction between an entity and its joint venture can qualify as a finance lease in a circumstance, for example, in which the entity has a 50 per cent ownership interest in the joint venture. The submitter provided a view that if the entity has a 50 per cent ownership interest in the joint venture, the criteria for the classification of finance lease set out in IAS 17 would not be met because the entity has not surrendered substantially all the risks and rewards.

62. We think that a lease transaction should be treated in the same way as a sale transaction when applying paragraph 28 of IAS 28. Paragraph 28 of IAS 28 reads as follows [emphasis added]:

> Gains and losses resulting from 'upstream' and 'downstream' transactions 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 from an associate or a joint venture to the investor. **'Downstream' transactions are, for example, sales or contributions of assets 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.

63. In the case of a sale transaction, the criteria in IAS 18 *Revenue* would first be applied to decide whether revenue should be recognised, and whether the transaction is between an entity and its joint venture. Paragraph 28 of IAS 28 would then be applied to eliminate the entity's share of gains and losses. We note that revenue recognition is not affected by the fact that the entity has joint control over the purchaser—it is only the recognition of gain or loss that is affected.

64. Similarly, we think that the criteria in IAS 17 should first be applied to decide whether a lease transaction qualifies as a finance lease, and paragraph 28 of IAS 28 should subsequently be applied to eliminate the entity's share of gains and losses if the lease transaction is between an entity and its joint venture.

65. We think that, just as revenue recognition is not affected by the fact that the seller is a joint venturer and the buyer is a joint venture, the classification of operating leases and finance leases would not be dependent on whether the lease transaction is entered into between unrelated separate entities or between a joint venturer and a joint venture.

66. Consequently, we do not recommend that the Interpretations Committee take this issue onto the agenda. We also do not think that the Interpretations Committee should recommend that the IASB consider this issue.

Question 3 for the Interpretations Committee

Does the Interpretations Committee agree with the staff analysis of the submitter's further comment that the classification of finance lease does not depend on whether the lease transaction is entered into between unrelated separate entities or between a joint venturer and a joint venture?

Does the Interpretations Committee also agree with the staff recommendation that the Interpretations Committee should not take this issue onto the agenda and should not recommend that the IASB consider this issue?

Appendix A—Proposed wording for tentative agenda decision

A1. We propose the following wording for the tentative agenda decision.

IAS 28 *Investments in Associates and joint Ventures*—Elimination of gains arising from a transaction between a joint venturer and its joint venture

The IFRS Interpretations Committee ('the Interpretations Committee') received a request to clarify the accounting for a transaction between a joint venturer (an entity) and its joint venture. The request describes a circumstance in which the amount of gains to eliminate from the transaction exceeds the amount of the entity's interest in the joint venture. Specifically, the submitter requested that the Interpretations Committee should clarify whether:

(a) the gain from the transaction should be eliminated only to the extent that it does not exceed the carrying amount of the entity's interest in the joint venture; or

(b) the remaining gain in excess of the carrying amount of the entity's interest in the joint venture should also be eliminated and if so, what it should be eliminated against.

The Interpretations Committee noted that the entity should eliminate the gain from a 'downstream' transaction to the extent of related investors' interest in the joint venture, even if the gain to be eliminated exceeds the carrying amount of the entity's interest in the joint venture, as required by paragraph 28 of IAS 28. The Interpretations Committee also noted that presenting the eliminated gain in excess of the carrying amount of the entity's interest in the joint venture as a deferred gain would be appropriate.

However, the Interpretations Committee observed that paragraph 28 of IAS 28 does not provide general guidance on how to present the corresponding entry for the eliminated gain or loss in 'downstream' and 'upstream' transactions. Consequently, this issue relates to a lack of guidance rather than a conflict of guidance.

The Interpretations Committee noted that it would not be possible to add

guidance on this specific issue without also adding more general guidance on 'downstream' and 'upstream' transactions. The Interpretations Committee also noted that more general guidance would require a broader project on equity accounting and that a broader project should be undertaken by the IASB.

Consequently, the IFRS Interpretations Committee [decided] not to add this issue to its agenda.