

STAFF PAPER

November 2014

IFRS Interpretations Committee Meeting

IFRS IC July 2014

Project	Finalisation of agenda decision
Paper topic	IFRS 12 <i>Disclosure of Interests in Other Entities</i> —disclosure of summarised financial information about material joint ventures and associates
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This paper has been prepared by the staff of the IFRS Foundation for discussion at a public meeting of the IFRS Interpretations Committee. Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRS Interpretations Committee or the IASB can make such a determination. Decisions made by the IFRS Interpretations Committee are reported in *IFRIC Update*. The approval of a final Interpretation by the Board is reported in *IASB Update*.

Introduction

1. In July 2014, the IFRS Interpretations Committee (‘the Interpretations Committee’) analysed an issue to clarify the requirement to disclose summary financial information on material joint ventures and associates in paragraph 21(b)(ii) of IFRS 12 *Disclosure of Interests in Other Entities* and its interaction with the aggregation principle in paragraphs 4 and B2-B6 of IFRS 12.
2. The submitter had asserted that there were two ways to interpret the application of those paragraphs. Either the information required in paragraph 21(b)(ii) of IFRS 12 can be disclosed in aggregate for all material joint ventures, or such information should be disclosed individually for each material joint venture or associate.
3. The submitter also asked the Interpretations Committee to clarify the requirements in paragraph 21(b)(ii) of IFRS 12 when the information relates to a listed joint venture or associate, in the case in which local regulatory requirements would prevent an investor from disclosing such information until the joint venture or associate has released its own financial statements. The submitter asked if the investor would be excused from disclosing the information.

4. The Interpretations Committee noted that it expected the requirement in paragraph 21(b)(ii) of IFRS 12 to lead to the disclosure of summarised information on an individual basis for each joint venture or associate that is material to the reporting entity. The Interpretations Committee observed that this reflects the IASB's intentions as described in paragraph BC50 of IFRS 12's Basis for Conclusions. The Interpretations Committee also observed that there was no need to clarify the interaction of paragraph 21(b)(ii) of IFRS 12 with the aggregation principle in paragraphs 4 and B2-B6 of IFRS 12.
5. The Interpretations Committee further noted that there is no provision in IFRS 12 that permits non-disclosure of the information required in paragraph 21(b)(ii) of IFRS 12.
6. The Interpretations Committee analysed the results of the outreach request performed by the staff. This outreach indicated that there was no significant diversity observed in practice on this issue.
7. On the basis of the requirements in IFRS 12 and on the basis of the outreach results received, the Interpretations Committee determined that neither an Interpretation nor an amendment to a Standard was necessary. Consequently, the Interpretations Committee decided to issue a tentative agenda decision which can be found in the [IFRIC Update of July 2014](#).

Purpose of the paper

8. The purpose of this paper is to:
 - (a) give an account of the comments received on the tentative agenda decision; and
 - (b) set out the wording for the final agenda decision (see Appendix A).

Comment letter analysis

9. The comment period for the tentative agenda decision ended on 29 September 2014. We received two responses from:

IFRS 12 *Disclosure of Interests in Other Entities* | Disclosure of fin info about material JV's and associates

- (a) Deloitte; and
 - (b) the Brazilian Accounting Pronouncements Committee (CPC).
10. Both respondents agree with the Interpretations Committee's tentative decision not to add into its agenda the issue raised on the disclosure of summarised financial information about material joint ventures and associates, for the reasons set out in the tentative agenda decision.
11. The comment letters received are included in **Appendix B** of this paper.

Staff recommendation

12. On the basis of the comments received, we propose to the Interpretations Committee that the agenda decision should be finalised without any further changes.
13. We have set out the wording for the final agenda decision in **Appendix A** of this paper.

Question for the Interpretations Committee

Question for the Interpretations Committee

Does the Interpretations Committee agree with our recommendation to finalise the agenda decision?

Appendix A—Final agenda decision

A1. We propose the following wording for the final agenda decision:

IFRS 12 *Disclosure of Interests in Other Entities*—disclosure of summarised financial information about material joint ventures and associates

The Interpretations Committee received a request to clarify the requirement to disclose summary financial information on material joint ventures and associates in paragraph 21(b)(ii) of IFRS 12 and its interaction with the aggregation principle in paragraphs 4 and B2-B6 of IFRS 12.

The submitter asserts that there are two ways to interpret the application of those paragraphs. Either the information required in paragraph 21(b)(ii) of IFRS 12 can be disclosed in aggregate for all material joint ventures or such information should be disclosed individually for each material joint venture or associate.

The submitter also asked the Interpretations Committee to clarify the requirements in paragraph 21(b)(ii) of IFRS 12 when the information relates to a listed joint venture or associate, and local regulatory requirements would prevent the investor from disclosing such information until the joint venture or associate has released its own financial statements. Would the investor be excused from disclosing the information?

The Interpretations Committee noted that it expected the requirement in paragraph 21(b)(ii) of IFRS 12 to lead to the disclosure of summarised information on an individual basis for each joint venture or associate that is material to the reporting entity. The Committee observed that this reflects the IASB's intentions as described in paragraph BC50 of IFRS 12's Basis for Conclusions.

The Interpretations Committee also noted that there is no provision in IFRS 12 that permits non-disclosure of the information required in paragraph 21(b)(ii) of IFRS 12.

The Interpretations Committee analysed the results of the outreach request performed by the staff. This outreach indicated that there was no significant diversity observed in practice on this issue.

In the light of the existing IFRS requirements, and on the basis of the outreach results received, the Interpretations Committee determined that neither an Interpretation nor an amendment to a Standard was necessary and consequently [decided] not to add this issue to its agenda.

Appendix B—comment letters submitted

(included in the following page)

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

Email: ifric@ifrs.org

22 September 2014

Dear Mr Upton

Tentative agenda decision - IFRS 12 *Disclosure of Interests in Other Entities*: Disclosure of summarised financial information about material joint ventures and associates

Deloitte Touche Tohmatsu Limited is pleased to respond to the IFRS Interpretations Committee's publication in the July IFRIC Update of the tentative decision not to take onto the Committee's agenda a request for clarification on the requirements regarding the disclosure of summarised financial information on material joint ventures and associates.

We agree with the IFRS Interpretations Committee's decision not to add this item onto its agenda for the reasons set out in the tentative agenda decision, although we note that the statement in the tentative agenda decision that no significant diversity in practice has been observed could be qualified by reference to the limited experience to date of application of IFRS 12.

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



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Brasília, Distrito Federal – Brazil
www.cpc.org.br

September 29, 2014

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

RE: Tentative agenda decisions open for comment in the IFRIC Update

Dear Board Members,

The Comitê de Pronunciamentos Contábeis - CPC (Brazilian Accounting Pronouncements Committee), the standard-setting body engaged in the study, development and issuance of accounting standards, interpretations and guidance for Brazilian companies welcomes the opportunity to presents comments to the Tentative agenda decisions open for comment in the IFRIC Update.

<i>Standard / Topic</i>	<i>Our Comments</i>
IFRS 12 Disclosure of Interests in Other Entities – disclosure of summarized financial information about material joint ventures and associates	We agree that transparency is fundamental and shouldn't be mitigated, in special non-disclosure information of joint ventures or associate companies.
IAS 16 Property, Plant and Equipment and IAS 2 Inventories – 'Core inventories'	This practice can be important to the calculation of taxes, but despite all range of practices within the industries, this is not significant issue to be added to the agenda.
IAS 16 Property, Plant and Equipment – accounting for proceeds and cost of testing on PPE	We agree with the Interpretations Committee consideration that in the light of its analysis of existing IFRS requirements, IAS 16 and IAS 1 contain sufficient guidance.
IAS 21 The Effect of Changes in Foreign Exchange Rate – Foreign exchange restrictions and hyperinflation	For the first point of the issue, about multiple foreign exchange rates, the principle is explicit on paragraph 26 of IAS 21. For the second point of the issue, about lack of exchange rate for a long time especially in hyperinflation scenarios, we do agree that it is not the subject of IAS 21 and should be a scope of a new project.
IAS 39 Financial Instruments: Recognition and Measurement – holder's accounting for exchange of equity instruments	This is a specific case, which derives from a punctual change in the Law that will not happen in the same way.

We agree with the determination of Interpretations Committee not adding the mentioned issues to its agenda. We also suggest that the Committee revise its due process and does not include topics with a clear response in the literature itself in public hearing nor in the Committee agenda in order to prioritize the most relevant issues.

If you have any questions about our comments, please contact us at operacoes@cpc.org.br.

Yours sincerely,

Idésio da Silva Coelho Júnior
Chair of International Affairs
Comitê de Pronunciamentos Contábeis (CPC)



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September 29, 2014

ifric@ifrs.org

International Accounting Standards Board
IFRS Interpretations Committee
30 Cannon Street
London EC4M 6XH
United Kingdom

RE: IFRS Interpretations Committee: Comments to tentative agenda decisions about IFRS 12 - Disclosure of Interests in Other Entities

Dear Board Members,

The Comitê de Pronunciamentos Contábeis - CPC (Brazilian Accounting Pronouncements Committee)¹ welcomes the opportunity to respond to the Outreach Request – IFRS 12 - Disclosure of Interests in Other Entities.

We are a standard-setting body engaged in the study, development and issuance of accounting standards, interpretations and guidance for Brazilian companies.

Background of the issue

The Interpretations Committee received a request to clarify the requirement to disclose summary financial information on material joint ventures and associates in paragraph 21(b)(ii) of IFRS 12 and its interaction with the aggregation principle in paragraphs 4 and B2-B6 of IFRS 12

The submitter asserts that there are two ways to interpret the application of those paragraphs. Either the information required in paragraph 21(b)(ii) of IFRS 12 can be disclosed in aggregate for all material joint ventures or such information should be disclosed individually for each material joint venture or associate.

The submitter also asked the Interpretations Committee to clarify the requirements in paragraph 21(b)(ii) of IFRS 12 when the information relates to a listed joint venture or associate and local regulatory requirements would prevent the investor from disclosing such information until the joint venture or associate has released its own financial statements. Would the investor be excused from disclosing the information?

The Interpretations Committee noted that it expected the requirement in paragraph 21(b)(ii) of IFRS 12 to lead to the disclosure of summarised information for each

¹ The Brazilian Accounting Pronouncements Committee (CPC) is a standard-setting body engaged in the study, development and issuance of accounting standards, interpretations and guidances for Brazilian companies. Our members are nominated by the following entities: ABRASCA (Brazilian Listed Companies Association), APIMEC (National Association of Capital Market Investment Professionals and Analysts), BMFBOVESPA (Brazilian Stock Exchange and Mercantile & Future Exchange), CFC (Federal Accounting Council), FIPECAFI (Financial and Accounting Research Institute Foundation) and IBRACON (Brazilian Institute of Independent Auditors).



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material joint venture on an individual basis. The Committee observed that this reflects Board's intentions as described in paragraph BC50 of IFRS 12's Basis for Conclusions.

On the basis of the outreach results received, the Interpretations Committee tentatively [decided] not to add this issue to its agenda.

Our comments:

We believe that the response to this question is clear into the current IFRS 12 text, and, therefore, we support the IFRIC decision to not include this topic into its agenda. Thus, we suggest that the Committee revise its due process and does not include topics with a clear response in the literature itself in public hearing nor in the Committee agenda in order to prioritize the most relevant issues.

If you have any questions about our comments, please contact us at operacoes@cpc.org.br.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Idésio da Silva Coelho Júnior'.

Idésio da Silva Coelho Júnior
Chair of International Affairs
Comitê de Pronunciamentos Contábeis (CPC)