

IFRS 10, 11 and 12

Post-implementation Review

Phase 1

Filippo Poli | fpoli@ifrs.org

Zhen Xu | zxu@ifrs.org

Capital Markets Advisory Committee
October 2019

The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board or the IFRS Foundation.

Copyright © 2019 IFRS Foundation. All rights reserved.

- Purpose of the session
- Post-implementation Review (PIR) Process
- Background on
 - IFRS 10: *Consolidated Financial Statements*
 - IFRS 11: *Joint Arrangements*
 - IFRS 12: *Disclosure of Interests in Other Entities*
- Question for CMAC members, and next steps

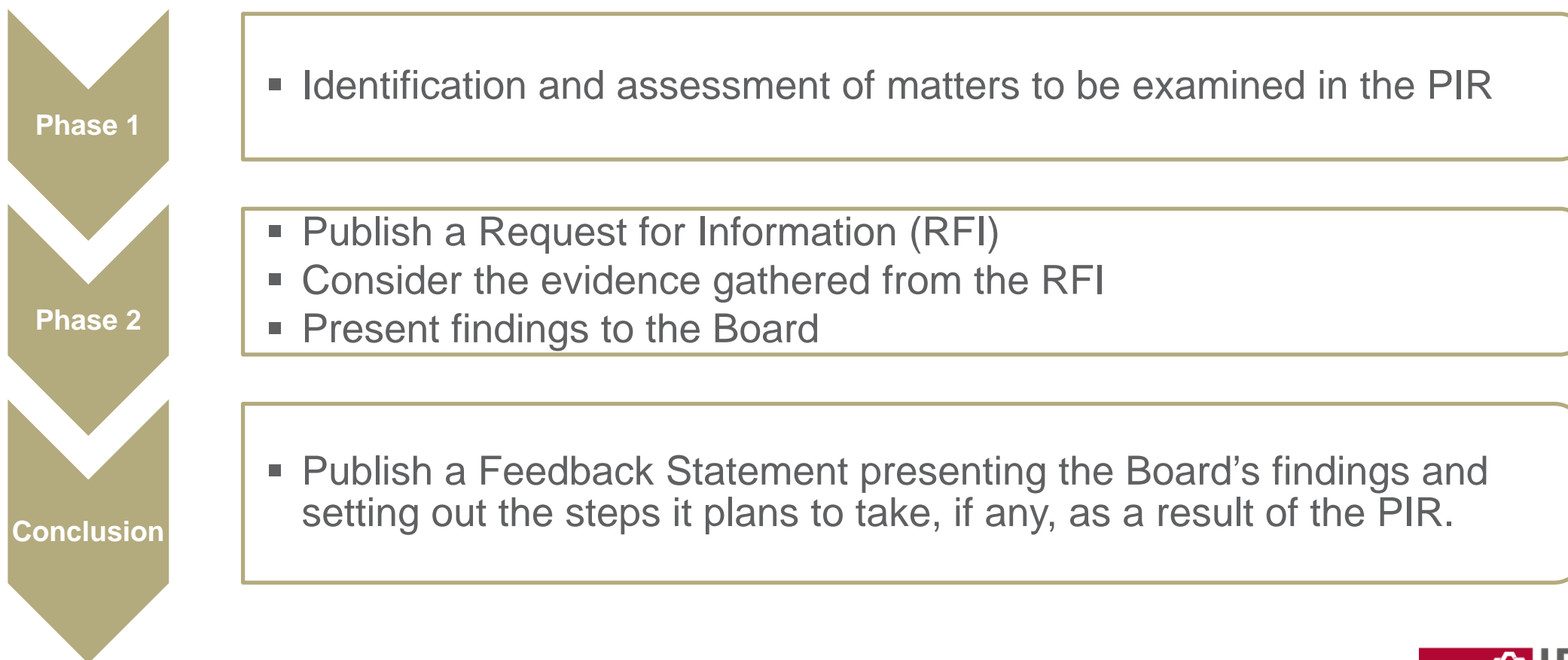
Purpose of the session

- The purpose of this session is to:
 - a) provide information about the PIR of IFRS 10,11 and 12.
 - b) obtain input and, if possible, discuss issues that investors encounter when analysing financial statements.
- This session forms part of phase 1 of the PIR of IFRS 10,11 and 12 and aims to help the Board identify any major issues that entities encountered when implementing IFRS 10,11 and 12.

Post-implementation Review Process (1/2)

4

- The Board's due process requires it to conduct a PIR of each new Standard or major amendment.



Post-implementation Review Process (2/2)

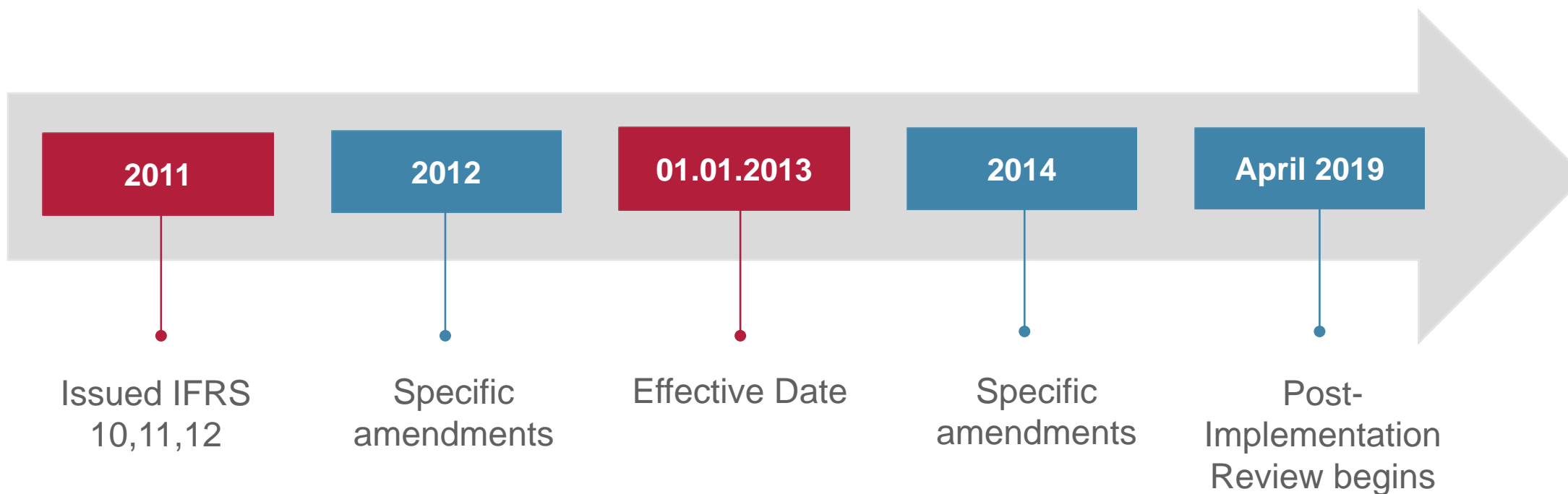
5

- The Due Process Handbook requires that the PIR considers
 - a. the issues that were important or contentious during the development of the Standard; and
 - b. any issues that have come to the attention of the Board after the Standard was issued.

Background on IFRS 10, 11 and 12

Timeline

7



2012 amendments

- June: Transition Guidance
- October: **Investment Entities**

2014 amendments

- May: Accounting for Acquisitions of Interests in Joint Operations
- September: Sale or Contribution of Assets between an investor and its Associate or Joint Venture*
- December: Investment Entities: Applying the Consolidation Exception

*Effective Date of Amendments to IFRS 10 and IAS 28 deferred indefinitely

Primer on IFRS 10: *Consolidated Financial Statements* (1/2)

- Key highlights of the Standard
 - Established a single consolidation model, based on principle of control
 - Consolidation exception for investment entities, that are required to carry their subsidiaries at fair value with changes in fair value reported in profit or loss.
- The global financial crisis illustrated that the existing consolidation guidance was not flawed but could be improved.
 - ie the perceived inconsistencies between the consolidation guidance in IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation—Special Purpose Entities*.

Primer on IFRS 10: *Consolidated Financial Statements* (2/2)

- Industries or sectors that were more likely affected:
 - Banks
 - Insurance companies
 - Oil and gas companies
 - Pharmaceutical companies
 - Managed funds

Primer on IFRS 11: *Joint Arrangements* (1/2)

10

- Key highlights of the Standard
 - Classification of joint arrangements based on rights and obligations
 - Elimination of accounting option for joint ventures
- Replace IAS 31 *Interests in Joint Ventures* in which the accounting was driven by the structure of the arrangements, when those were structured in an entity, IAS 31 allowed preparers to have an accounting option, ie proportionate consolidation or equity method.

Primer on IFRS 11: *Joint Arrangements* (2/2)

11

- Industries or sectors that were more likely affected*:
 - Business services
 - Software
 - Wholesale trade: durable goods
 - Investment and commodity goods
 - Electronic
 - Telecommunications
 - Wholesale trade: non-durable goods
 - Mining
 - Oil and gas
 - Real estate

*The main ten industries and their relative relevance in terms of joint venture deals during the period 1990–2010

- Key highlights of the Standard
 - Combined and enhanced disclosure requirements of subsidiaries, joint arrangements, associates and unconsolidated structured entities
- The global financial crisis highlighted the importance of enhancing disclosure requirements, in particular for special purpose or structured entities.
- Notable new disclosures introduced by this Standard include:
 - Subsidiaries with significant non-controlling interests
 - Significant joint ventures or associates
 - Unconsolidated structured entities (eg financial support)

Questions and Next Steps

1. How do you analyse financial information

- Do you make any adjustments to the amount reported in the consolidated financial statements relating to interests in:
 - subsidiaries (IFRS 10), or
 - joint arrangements (joint ventures or joint operations) and associates (IFRS 11)?
- Please explain.

When responding to questions please clarify if any issues are specific (eg to a particular industry or a particular jurisdiction)

2. Your views about the information reported

- For the purpose of your analysis, do you receive sufficient information in relation to interests in:
 - subsidiaries,
 - joint arrangements (joint ventures or joint operations), associates and
 - interests in unconsolidated structured entities*.
- If the information received is not sufficient, please explain why.
- Is there any information that you receive that you do not find useful? If so, please explain why.

*An entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity

When responding to questions please clarify if any issues are specific (eg to a particular industry or a particular jurisdiction)

3. Further questions pertaining to IFRS 10

- Do you receive sufficient information from entities who are qualified as investment entities, for your analysis?
- Do you have challenges in understanding the control assessment of subsidiaries or unconsolidated investees?

4. Further questions pertaining to IFRS 11

- Do you have challenges in understanding the classification of joint arrangements, ie joint operations and joint ventures?

When responding to questions please clarify if any issues are specific (eg to a particular industry or a particular jurisdiction)

Phase I of PIR

- **Rest of 2019:** Outreach with IFRS Foundation Stakeholders
- 2020: present findings to the Board
- 2020 H1: issue Request for Information

Get involved

18

Find out more: www.ifrs.org

Follow us:

-  @IFRSFoundation
-  IFRS Foundation
International Accounting Standards Board
-  IFRS Foundation
-  IFRS Foundation

Join our team: go.ifrs.org/careers