



IFRS® Foundation

Post-implementation Review of IFRS 10, IFRS 11 and IFRS 12

Request for Information
Outreach summary

IASB® Agenda ref 7C
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Project	Post-implementation Review of IFRS 10, IFRS 11 and IFRS 12		
Paper topic	Outreach summary		
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Purpose of this paper

- On 9 December 2020 the Board published the [Request for Information](#) *Post-implementation Review of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities*.
- The Request for Information was open for comments for 150 days.
- During the comment period, Board members and staff conducted outreach activities to gather feedback from a broad group of stakeholders across jurisdictions.
- The purpose of this agenda paper is to provide a summary of feedback on the Request for Information gathered from outreach activities during the comment period.
- The Board is not asked to make any decisions.

Contents

	Slides
Sources of feedback	6–8
Overall feedback	9–10
Feedback from regulators	11–18
Feedback from users	19–26
Feedback from other stakeholders	27–37

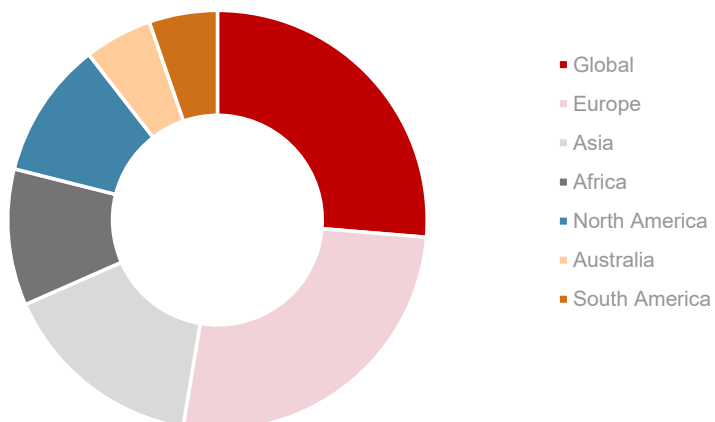
A dark gray background featuring a stylized world map. The map is overlaid with several curved, light gray lines that sweep across the continents. Additionally, there are dotted white lines forming a grid-like pattern across the map. The overall aesthetic is modern and global.

Sources of feedback

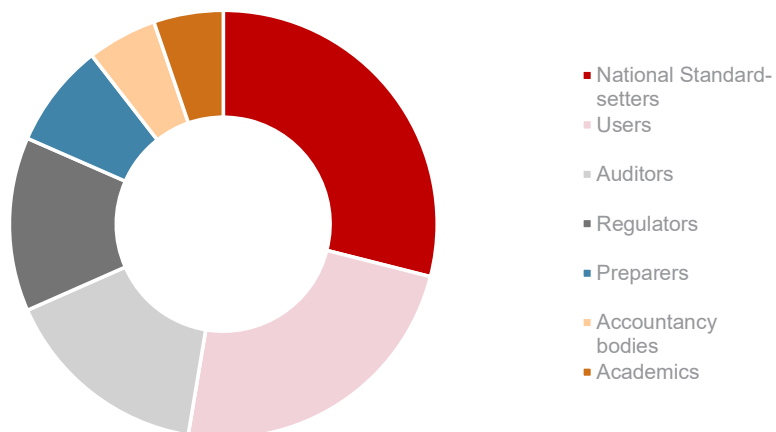
Outreach activities

- Outreach activities are an important part of the Board's due process; the activities enable Board members and staff to hear the views of stakeholders directly.
- Board members and the staff have used technology to bring stakeholders together, for example, by attending virtual conferences on the Request for Information.
- Some outreach activities took the form of round-table meetings or discussion forums with many participants and were organised in conjunction with national standard-setters, accountancy bodies and others.
- Between January 2021 and May 2021 Board members and the staff held or participated 38 meetings with over 300 stakeholders from 30 jurisdictions.

Analysis of events and meetings



Jurisdiction	Number	Percentage
Global	10	26%
Europe	10	26%
Asia	6	16%
Africa	4	11%
North America	4	11%
Australia	2	5%
South America	2	5%
Total	38	



Constituent type	Number	Percentage
National standard-setters	11	29%
Users	9	24%
Auditors	6	16%
Regulators	5	13%
Preparers	3	8%
Accountancy bodies	2	5%
Academics	2	5%
Total	38	

Some of the outreach events we participated in...

National standard-setters

European Financial Reporting Advisory Group (EFRAG)

UK Endorsement Board

Accounting Standards Board of Japan (ASBJ)

Australian Accounting Standards Board (AASB)

Malaysian Accounting Standards Board (MASB)

Ministry of Finance, China

Korea Accounting Standards Board

Hong Kong Institute of Certified Public Accountants (HKICPA)

Group of Latin American Accounting Standard Setters

Accounting Standards Board, Canada (AcSB)

Comitê de Pronunciamentos Contábeis (CPC), Brazilian National Standard Setter

Users

AASB User Advisory Committee

AcSB User Advisory Committee

CRUF UK

CRUF Japan

EFRAG User Panel

Regulators

Johannesburg Stock Exchange

Financial Reporting Council, Nigeria

Financial Reporting Council, UK

Capital Markets Authority, Saudi Arabia

Shanghai Stock Exchange, China

Consultative groups

Accounting Standards Advisory Forum

Capital Markets Advisory Committee

Global Preparers Forum



Overall feedback

Overall feedback

- Many stakeholders said the Standards are working as intended and there is support for the main principles; the definition of control and classifying joint arrangements based on rights and obligations.
- Many stakeholders said significant judgement is required when applying the Standards to complex arrangements.
- Some stakeholders said the disclosure requirements in IFRS 12 are a significant improvement to financial reporting.
- The feedback from outreach meetings is consistent with feedback in the comment letters on the Request for Information.

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Feedback from regulators

Overall feedback from regulators

- Overall feedback from regulators is that the Standards are working as intended.
- In supporting the Standards some regulators said because judgement is required in applying the Standards undertaking regulatory activities can be challenging.
- Many regulators agreed that the disclosure requirements in IFRS 12 are adequate and appropriate. However, some regulators said compliance could be enhanced.

IFRS 10—feedback from regulators

Identifying relevant activities

- Some regulators said the requirements in IFRS 10 are sufficient and enable an entity to identify relevant activities of an investee.
- However, some regulators said it is challenging to identify relevant activities when:
 - different activities are directed by two or more investors; and
 - relevant activities change over time.

IFRS 10—feedback from regulators

Rights that give an investor power

- Many regulators did not identify issues on rights that give an investor power. However, they suggest providing more guidance and examples on identifying protective rights.

Control without a majority of the voting rights

- Many regulators said control without a majority of the voting rights does not arise frequently in their jurisdictions.
- Some regulators said because of the level of judgement required in assessing control different outcomes can arise.
- One regulator said it is difficult to challenge the outcome from the control assessment because of the judgement required.

IFRS 10—feedback from regulators

Principal and agent

- Many regulators said they do not frequently encounter challenging situations in assessing agency relationships.
- Some regulators said IFRS 10 requirements enable an investor to determine whether a decision maker is a principal or an agent.
- One regulator said assessing a decision maker's exposure to variability of returns is challenging in some circumstances.

IFRS 10—feedback from regulators

Investment entity

- Some regulators said the definition of an investment entity is not clear, especially the exit strategy and fair value measurement elements of the definition.

IFRS 11—feedback from regulators

Collaborative arrangement outside the scope of IFRS 11

- Many regulators said they have not encountered collaborative arrangements outside the scope of IFRS 11 frequently.
- However, one regulator said these arrangements may be relatively common in specific sectors, for example mining and pharmaceutical industries.
- One regulator said there might not be sufficient disclosure for collaborative arrangements.

Other finding feedback from regulators on share of joint ventures and associates in segment reporting

- Many regulators observed some entities disclose information including share of revenue, earnings, assets and liabilities from joint ventures and associates in the management commentary as non-GAAP measures.
- Some regulators said non-GAAP measures should be reconciled to financial statements prepared applying the Standards.

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Feedback from users

How user outreach meetings were structured ...

- A presentation was specially designed for outreach meetings with users.*
- The presentation focused on the information needs of users, addressing only specific topics in the Request for Information.
- The presentation included questions on the findings from the desk-top review of financial statements.

* For example, please find the presentation used in the CMAC meeting in March 2021 [here](#).

Overall feedback from users

- Many users participating in outreach activities are of the view that disclosures required by IFRS 12 had improved financial reporting.
- Many users said the information disclosed in accordance with IFRS 12 is useful and necessary.
- Many users identified areas where they would welcome additional information.

Users feedback— disclosure of significant judgements and assumptions

- Many users said the disclosure of judgements and assumptions is important to understand why an entity controls, jointly controls or exercises significant influence over an investee.
- However, some users said disclosure on significant judgements and assumptions could be improved. Improvements could be made to:
 - reduce boilerplate disclosure; and
 - improve compliance with the requirements.

Users feedback—disclosure on subsidiaries

- Some users requested additional information on an entity's interests in subsidiaries, such as:
 - cash flow information, for example cash flow from operating, financing and investing activities;
 - more granular summarised financial information, such as cash and cash equivalent and borrowings; and
 - significant restrictions on the ability to access or use the assets and settle the liabilities of the group.

Users feedback—disclosure on joint ventures and associates

- There were mixed views on the information regarding interests in joint ventures and associates. Some users said the disclosure is useful and sufficient information is provided.
- However, some users said they do not always obtain sufficient information for material joint ventures and associates, including:
 - cash flow information; and
 - borrowings.

Users feedback—disclosure on structured entities

- Some users said the disclosure on structured entities has improved the information disclosed in financial statements and is useful.

Other findings from outreach activities

Joint ventures and associates in segment reporting

- Many users said it would be helpful if financial statements included information on the share of joint ventures or associates contribution to a particular line item, for example revenue of joint ventures.

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Feedback from other stakeholders

IFRS 10—feedback from other stakeholders

Relevant activities

- Many stakeholders said identifying relevant activities requires judgement; further clarification and application examples would be helpful.
- Many stakeholders said it is challenging to identify relevant activities when:
 - different activities are directed by two or more investors; and
 - relevant activities change over time.

Rights that give an investor power

- Many stakeholders referred to challenging situations when assessing whether rights are protective or whether rights are substantive, for example:
 - assessing rights held by a franchisor under a franchise agreement; and
 - assessing potential voting rights both initially and continuously.

IFRS 10—feedback from other stakeholders

Control without a majority of the voting rights

- Some stakeholder said control without a majority of the voting rights does not arise frequently in their jurisdictions.
- Some stakeholders said it is challenging to assess control when the historical voting situations change or there is a lack of historical information to determine a voting pattern. Stakeholders suggested providing additional guidance in this area.

IFRS 10—feedback from other stakeholders

Agency relationship

- Some stakeholders said IFRS 10 enables an investor to determine whether a decision maker is a principal or an agent.
- However, some stakeholder said it is challenging to identify an agency relationship in complex situations, especially assessing exposure to variability of returns. These stakeholders suggested providing more guidance and examples.

De facto agency relationship

- Some stakeholders said it is unclear what factors to consider when another party is under common control of the reporting entity when determining whether the party acts as a de facto agent or vice versa.

IFRS 10—feedback from other stakeholders

Definition of investment entities

- Some stakeholders said it is unclear how to apply some elements of the definition of investment entities, for example the business purpose and exit strategy of an entity.

Investment entity subsidiaries

- Many stakeholders said the fair value measurement of a subsidiary that is itself an investment entity results in a loss of information such as:
 - the fair value of the underlying investments;
 - particular financial position items, such as cash and borrowings; and
 - operating activities, such as revenue and costs from investment related services.

IFRS 10—feedback from other stakeholders

Change in relationship between an investor and an investee

- Some stakeholders said changes in the relationship between an investor and an investee are common; in most cases there are relevant requirements in IFRS Standards.
- Some stakeholders asked for guidance on accounting for changes in relationship when the investee does not constitute a business.

Partial acquisition of a subsidiary that does not constitute a business

- Some stakeholders said the partial acquisition of a subsidiary that does not constitute a business is not rare in some sectors, such as real estate.
- These stakeholders said diversity exists on how to measure non-controlling interests.

IFRS 11—feedback from other stakeholders

Collaborative arrangements outside the scope of IFRS 11

- Many stakeholders said collaborative arrangements outside the scope of IFRS 11 are common in specific industries, including oil and gas, pharmaceutical, mining, entertainment and real estate industries.
- Some stakeholders said collaborative arrangements are similar in nature to joint operations and therefore an analogy is made to joint operations accounting in IFRS 11. Whereas other stakeholders said the equity method is applied to such collaborative arrangements.

IFRS 11—feedback from other stakeholders

Classifying joint arrangements

- Stakeholders expressed mixed views on how often an entity needs to consider ‘other facts and circumstances’ when classifying a joint arrangement.
- Some stakeholders said the agenda decisions related to classification of joint arrangements are useful and suggested incorporating them into the Standard.

IFRS 11—feedback from other stakeholders

Accounting for joint operations

- Some stakeholders asked for additional guidance on how to account for a disproportionate share of output compared to the share of ownership interest. They said this situation is common in oil and gas sector.
- Many stakeholders expressed concern on the Agenda Decision *Liabilities in relation to a Joint Operator's Interest in a Joint Operation (IFRS 11 Joint Arrangements)* issued in March 2019.

IFRS 12—feedback from other stakeholders

- Many stakeholders agree with the IFRS 12 disclosure objectives.
- Some stakeholders said it would be useful if additional information was required on:
 - subsidiaries with material non-controlling interests;
 - unconsolidated structure entities; and
 - significant judgements and assumptions.
- Some stakeholders raised a concern on the use of sensitive information on listed associates when the reporting entity needs to publish the financial statements earlier than the listed associate.

Other topics raised in outreach events

- Many stakeholders raised topics that are not specifically addressed in the Request for Information including:
 - the interaction between IFRS 10 and other IFRS Standards, eg IFRS 15 and IFRS 16;
 - transactions that involve a corporate wrapper;
 - assessing control of not-for-profit entities (definition of variable return);
 - accounting for put options on non-controlling interests; and
 - proportionate consolidation.

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