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## **Post-implementation Review of IFRS 10, IFRS 11 and IFRS 12 Project Update**

### **Objective**

- 1 The objective of the session is to update EFRAG Board members on the recent developments in the IASB project Post-implementation Review of IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities* (the PIR).

### **Background**

- 2 In May 2011, the IASB published IFRS 10, IFRS 11, and IFRS 12, revised IAS 27 *Separate Financial Statements* and revised IAS 28 *Investments in Associates and Joint Ventures* (the Consolidation Package).
- 3 In IFRS 10, the IASB introduced a single control model for consolidation. In IFRS 11, compared to IAS 31 *Interests in Joint Ventures*, the IASB eliminated the accounting options and proportional consolidation, and introduced the classification of, and accounting for, joint arrangements based on rights and obligations. In IFRS 12, the IASB introduced enhanced disclosure requirements.
- 4 In the European Union, the effective date of the Consolidation Package was delayed by one year to 1 January 2014.
- 5 In April 2019, the IASB initiated the post-implementation review process of IFRS 10, IFRS 11, and IFRS 12.

### **Recent developments in the IASB project**

- 6 In April 2020, the IASB Staff presented the preliminary results of Phase 1 of the PIR. IASB Staff proposed that the forthcoming Request for Information (RFI) will focus on several identified implementation issues from IFRS 10, IFRS 11, and IFRS 12. The IASB also decided that the PIR would not cover revised IAS 27 or revised IAS 28. However, the IASB may decide to amend those standards in response to the feedback received during the PIR.
- 7 Furthermore, the IASB decided that the PIR would not cover the interaction of IFRS 10, IFRS 11 and IFRS 12 with other IFRS Standards.
- 8 On 9 December, the IASB published the RFI with a response deadline of 10 May 2021. The RFI focuses on the following questions / topics.
  - (a) in relation to IFRS 10:
    - (i) control - power over an investee
      - identification of relevant activities
      - protective rights

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- situations where an investor that does not hold a majority of the voting rights needs to assess whether it has acquired (or lost) the practical ability to direct an investee's relevant activities
- (ii) control - the link between power and returns
- principal vs. agent considerations
  - de facto agent
- (iii) the investment entity consolidation exception
- definition of an investment entity
  - loss of information when measuring a subsidiary, that is itself an investment entity, at fair value
- (iv) other accounting requirements
- accounting for change in investment relationship between the investor and the investee
  - acquiring control over a subsidiary that does not constitute a business
- (b) in relation to IFRS 11:
- (i) collaboration arrangements outside the scope of IFRS 11;
- (ii) the classification of joint arrangements as joint operations based on other facts and circumstances; and
- (iii) accounting for joint operator's assets, liabilities, revenue, and expenses.
- (c) in relation to IFRS 12, the quality of information an entity provides and whether and how well the disclosure objectives are met by an entity applying the requirements.
- (d) other issues including the interactions between IFRS 10 and IFRS 11 and other IFRS Standards.

### **EFRAG activities**

- 9 The EFRAG Board received an update on the PIR in February 2020. At that meeting, the EFRAG Board agreed that the PIRs should be finalised by EFRAG TEG, and that the EFRAG Board should be kept informed about developments.
- 10 At its November and December 2020 meetings, EFRAG TEG discussed the issues to be raised in the PIR and the possible outreach activities required to respond to the RFI questions and to provide further comments on European-specific topics.
- 11 In December 2020, EFRAG TEG discussed specific survey questions for constituents (the EFRAG TEG paper is provided for background as Agenda Paper 08-02 for this meeting.) The main comments on these questions from EFRAG TEG members are:

#### *General comment*

- (a) Review questions to ensure that they are asked in a neutral way;

#### *IFRS 10*

- (b) Specific questions on interaction of IFRS 10 with other standards should be included in the questionnaire;
- (c) Additional issues to be considered for inclusion in the questionnaire are identification of control when legal requirements prevent a shareholder from exercising its rights; the point in time a shareholder obtains control in cases where shares are transferred after the transaction is completed; assessment

of control with less than majority of voting rights, and veto rights assessment for SPVs;

*IFRS 11*

- (d) Implementation of IFRS 11 in separate financial statements;
- (e) Include examples of relevant fact patterns;

*IFRS 12*

- (f) Clarify how the cash flow information on NCI could be derived.

12 EFRAG Secretariat anticipates the following outreach activities:

- (a) Publishing survey questionnaires for users and preparers

We plan to publish the surveys in early mid January 2021. The surveys will cover separate questions for users and for preparers.

- (b) Joint outreach events with National Standard Setters and the IASB, for users and preparers, in the form of webinars or physical events, depending on the future epidemiological situation. Where possible, we plan to align the outreaches with the plans of the IASB Staff in order to jointly carry the outreach events;
- (c) Interviews with users and preparers;
- (d) Desktop research in order to identify current practices.

**Questions for EFRAG Board**

13 Do EFRAG Board members have comments regarding the PIR project?

**Agenda Papers**

14 In addition to this cover note, **Agenda Paper 08-02** – Draft questionnaire, which was discussed by EFRAG TEG at its December 2020 meeting, has been provided for **background**.