IFRS news

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Pension Disclosures – Remain silent and be thought a fool or speak and remove all doubt?

Pension deficits are increasing. Brian Peters, Partner, and Paul Allen, Senior Manager, leaders of the UK PwC's pension accounting business, explain the importance of pension disclosure.

It should come as no surprise that defined benefit pension risk affects the value that an external investor will pay for a business. Estimating the scale of the impact is an art rather than a science. It is an art because there is not a single answer to the question of how large the pension liabilities are. The answers include what's disclosed under IAS 19, what the trustees estimate the liabilities to be using, prudent assumptions for determining cash contributions, and what an insurer would charge the trustees to take the pension obligations off their hands. There is nothing new here.

What is new?

Pension deficits are expected to have risen significantly at this financial reporting season when compared to last year. Pension obligations are discounted under IAS 19 using high quality corporate bond yields. The impact of the falls in these yields over the past few months has meant that liabilities have generally risen much faster than the pension scheme assets, often even when the trustees have put in place strategies to match the liabilities with appropriate investments. If pensions are material to the business, then investors will be asking management about their pension strategy and, specifically, whether they have pension risks under control. The concern from investors will be that pensions are not being managed properly and that the pension deficit could become even larger with a resulting future impact on cash demands.

Disclosure

How management explain pension risk and their strategy forms part of the pension disclosures in the financial statements.

The requirement for risk-based disclosures was part of the principles-based approach brought in for revised IAS 19, effective from 2013. These additional disclosures included detail on the choice of investments, future cash requirements and information about risks to which the scheme exposes the company.

The changes to IAS 19 disclosure requirements were generally seen as an opportunity for companies to explain their pension scheme risks and, crucially, how such risks are being managed, in order to assuage investors' potentially unchecked fears and provide more context generally. However, experience has been markedly mixed.

There are many examples of good practice in reporting on pension risks, but these largely existed before the revisions to IAS 19. Many companies retained a more minimalist approach in their pensions note, meeting the requirements of the accounting standard but nevertheless prone to making vague boilerplate statements about pension strategy and disclosing only what is necessary. Companies that are transparent about pension risks and their plans to manage them, providing such plans exist, should expect a better reception from investors.

But this was one of the key discussion points at the time – was there a danger of saying too much? In other words, and to repeat a quote sometimes attributed to Abraham Lincoln, was it better to remain silent and be thought a fool than to speak and remove all doubt?

This, as well as management time pressures on financial reporting and the lower priority that pensions has often received in the past (the pensions note generally resides towards the back of companies' accounts), all probably contributed to the lack of real progress on pensions disclosures.

What now?

There is unlikely to be any change in disclosure requirements of IAS 19 in the short term – not least because these things take time – but companies can still go above and beyond the requirements in order to get ahead in the investor game. Providing good, sensible disclosures on pensions is strongly encouraged. Explaining pension scheme risk management as you might present to a CFO, rather than using opaque, generic wording, would be a positive step forward. And, with the pain emerging on key pensions numbers as a result of bond yield falls, perhaps this is a way to soften the blow.

IFRS 9 Disclosure – It's time to tell your own Story

IFRS 9 implementation disclosures have been vague until now. Hannah King, PwC Financial Instruments specialist, tells banks it is time to tell their IFRS 9 story in their 2016 annual reports.

IFRS 9 disclosures in 2016 annual are unlikely to begin 'once upon a time…' or make for light bedtime reading. The effective date of 1 January 2018 is approaching fast, banks need to start to tell their story. What will applying IFRS 9 in 2018 mean to them?

Accounting standards require disclosure in 2016 and 2017 of 'known or reasonably estimable information relevant to assessing the possible impact' of IFRS. The disclosure considerations go beyond this. The Enhanced Disclosure Task Force (EDTF) raised the bar with its recommended IFRS 9 disclosures. The recommendations are aimed at internationally active banks, but the principles may also be relevant for other financial institutions.

Regulators are also calling for more extensive, relevant and transparent disclosure. In Europe, ESMA has made IFRS 9 disclosure an enforcement priority in its assessment of 2016 financial statements. ESMA has also issued a public statement about the consistent application of IFRS 9 which includes their suggested disclosures for 2016 reports. Similarly, SEC staff have heightened expectations about the level of qualitative disclosures, which applies to Foreign Private Issuers as well as domestic US groups.

Should banks disclose a number?

A bank should disclose a number in 2016 if it can reasonably and reliably estimate the possible impact of IFRS 9. This might be an estimate of the numerical range of the expected credit loss provision or the expected percentage increase in the impairment provision

Not all banks will be able to do this now, given the likely stage of their implementation planning, lack of parallel running and the current macroeconomic uncertainties. No-one wants to disclose a number that may be wildly inaccurate or misleading.

The EDTF and ESMA would like banks to disclose numbers in their 2017 year end reports at the latest. Some may be in a position to disclose reliable numbers in their 2017 interims, if not earlier. Banks need to be prepared for this.

What narrative information is needed?

Banks' 2015 disclosures varied in length from a handful of paragraphs to multiple pages. Most only gave a generic overview of the key concepts in IFRS 9 and how they differ from the existing accounting requirements. This year many are hoping to see more tailored and granular information on the application of how those concepts to a bank's specific products and circumstances.

The EU recently endorsed IFRS 9

The EDTF and ESMA expectations go further. They recommend banks give a description of the credit risk modelling techniques and key judgements that will be used. For example, is the bank planning to use a probability of default approach leveraging on Basel models, a loss rate method or some other approach?

And for which key portfolios? In addition, a bank should discuss how IFRS 9's ECL requirements may impact its capital planning strategy and what the uncertainties are, to the extent that the regulatory requirements are unclear or not yet fully determined.

Finally, a bank should disclose its implementation strategy, including that for IT system development, governance and control processes.

What is the current timeline and what are the significant implementation matters yet to be addressed? Many are worried that banks have not made enough progress with IFRS implementation. Good quality disclosure in 2016 will help to reassure regulators and user.

Inevitably, the information disclosed in 2016 reports will vary from bank to bank, depending on each bank's implementation progress. 1 January 2018 is barely a year a way. Banks should be able to tell us more about their IFRS 9 implementation now. Get it right and they will be one step closer to ending their IFRS 9 story '...happily ever after'.

For more on this topic, watch our Demystifying IFRS 9 Impairment video on IFRS 9 disclosures in 2016 annual reports.

Additional disclosures

	2015 Annual reports	**2016 Annual reports 2017 Interim and Annual reports**
General IFRS 9 concepts	Generic overview	**Definition of default? Significant increase in credit risk? Forward looking information?**
Comparison of ECL to incurred loss model	Generic overview	**Impact on business? Quantitative impact (2017 latest)**
Credit risk modelling and key judgments	No disclosure provided	**Credit risk model used? Key judgements? Key portfolios?**
Capital planning	No disclosure provided	**Capital planning strategy? Regulatory uncertainty?**
Implementation strategy	Generic overview	**Progress update; IT systems and governance; transition relief.**

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The IFRS 15 Mole

Hello everyone! I am the 'IFRS 15 Mole' and I will be reporting each month on intelligence I have gained on the implications of the new revenue standard, IFRS 15. The impact of IFRS 15 has to be assessed by all entities that have contracts with customers - probably all of you reading this. The standard is applicable from 1 January 2018, so if you haven't started to think about transitioning, you really need to get going.

In the first of this series, John Chan, PwC revenue specialist and the IFRS 15 mole, investigates some of the things you need to think about when looking at a contract with a customer.

Before I summarise the outcome of my investigation, I thought I would remind you of the new revenue standard. The 5 step model supports the core principle, being that revenue is recognised when goods and services are transferred to a customer.

Suspects

Unidentified contracts

Incident description

There are a 2 potential incidents;

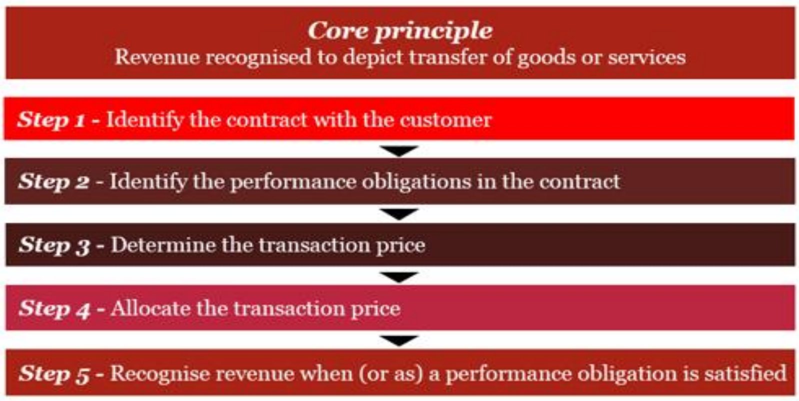
- Is the contract in the scope of IFRS 15?
- Are all the contract terms understood?

Facts

Is it a contract?

Contracts in the scope of IFRS 15 can be written, verbal, or based on normal business practice. There are five criteria that must be met for the contract to be in the scope of IFRS 15. The contract has to be approved by the parties to the contract, the party's rights to be transferred must be identifiable, payment terms need to be identifiable and the contract has to have commercial substance. These are largely straightforward. It should also be probable that the consideration will be collected. It is sometimes challenging to determine whether the customer has the ability and intent to pay when due, particularly if there is a history of granting price concessions. This might require careful consideration of all the facts, including past practices with customers as well as, for example, any collateral obtained from the customer. If any of these are not satisfied, even if the customer has paid a non-refundable fee, there is no contract, and therefore no revenue.

The 5-step model



What's in the contract?

Management will often need to look outside the finance team and to the sales and marketing teams to find out what has been promised to the customers. The written terms can be different from the customer's expectations. So there is a need to consider any correspondence or side agreements with customers, as well as understand verbal communication and the entity's normal business practice to identify all the terms in the contract. Any of these could affect the accounting.

An established practice of offering additional 'free' goods at some stage in the contract would mean that some revenue would be deferred until those goods are transferred.

Even if the promises to the customer are clear in the contact, we understand that payment terms can be hidden. Volume discounts, rebates and bonuses for early contract completion can all affect the measurement or timing of revenue. We will have a further investigation into how to determine the transaction price later in this series.

Recommendations

You might think that identifying the contract is an easy first step but there are a number of pitfalls. Make sure the contract falls within the definition in the standard. Get a copy of a contract and make sure you understand all of the terms. Speak to the sales team and anyone else involved in contract negotiation. Make sure you have all side letters and other correspondence. You could well be surprised.

Further investigations

Being aware of the contents of your contracts with customers is absolutely key to applying the guidance in IFRS 15. You need to read the contract. We will come back to contract contents again when we look at the requirement to identify performance obligations and the other steps in the revenue model.

With apologies to the chair and the members of the IASB. And the IFRIC. And St Nicholas. And his reindeer...

Mary Dolson and Dave Walters add some Christmas sparkle to the IFRS wish list.

It was the night before Board week, when all through the land
No accountants were busy, no one lifting a hand;

The ledgers were stowed in the system with care,
In hopes that convergence soon would be right there;

The accountants were nestled all snug in their beds;
While visions of standards danced round in their heads;

And with the standards sat open, there on my lap,
I'd just settled down to peruse IASB gaap

When out on the lawn there arose such a clatter,
I sprang from my bed to see what was the matter.

Away to the window I flew like a flash,
Tore open the shutters and threw up the sash.

When what to my wondering eyes came into view,
But the whole IASB and the full IFRIC too,

More rapid than eagles his coursers they came,
And Hans whistled, and shouted, and called them by name:

"Now, *Gomes*! now, *Cooper*! now *Susie* and Gary!
On, *Ochi*! on, *Scott*! on, *Zhang* and on *Mary*!

Our plan must be delivered, despite its great weight
Or held for sale and disc ops might be your own fate

Insurance, insurance and then of course FICE!
Some concepts we must have on this roll of the dice"

So off to the boardroom the board members they flew
With a sleigh full of Work Plans, and the staff were there too—

As I drew in my head, and was turning around,
Down the corridor Hans came with a theatrical bound.

A bundle of documents he had flung on his back,
And he looked like a hiker just opening his pack.

His eyes—how they twinkled! His grammar was taut!
His papers were terse and with nary a blot!

A wink of his eye and a twist of his head
Soon gave me to know I had nothing to dread;

He spoke with a rumble, "I've brought you a gift,
Merely 4000 pages, through which you should sift

We'll focus on less, that's what I've now heard,
We'll do nothing for now on taxes deferred"

At this my eyes glistened and I said with a frown
"I'd prefer you'd abolished them, I'm feeling down"

"Don't fret young accountant," he said with some glee,
The "young" lead me to wonder how well he could see,

"The IFRIC will work faster on issues emerging
Not common control though for businesses merging

That one is for me and the whole IASB
We'll think very hard and then we will see"

"And as I stand here in the finest of raiments
I promise, no tweaking for those share-based payments

"And goodwill?" I asked with some moistening eyes
"A present for all – let it be amortised?

He laughed at my plea and said "Well son, may be,
Once we've completed our review of IFRS 3"

He chuckled once more and uttered the threat:
"It's time for some puns, they're my worst ones yet"

"The recoverable amount of my sleigh, is it known?
Its, Net Present Value" and I let out a groan.

"And that picture", he said, "of meat carving, of course
Is Joint operations, with lashings of sauce!"

Lest he say anymore and let weaker gags fly
I asked, "Will you ponder the puts on NCI?"

His smile merely flickered and he said "yes, of course.
Once Insurance is issued to a round of applause."

I went to say more but he said "No more please-
Consultations are over, so leave me in peace!"

And laying his finger aside of his nose,
And giving a nod, up the chimney he rose;

He sprang to his board table, to his team gave a whistle,
And away they all flew like the down of a thistle.

But I heard him exclaim, ere they disappeared from sight—
"Happy Christmas to all, and to all a good night!"

Cannon Street Press

Editors choice

Insurance Contracts

This month's Editor's choice is Insurance. The Staff proposed a number of revisions at the meeting as a result of field testing. The IASB confirmed that there are no remaining questions for the Staff to consider at a future meeting. The Staff will continue drafting IFRS 17 and the IASB expects to issue the standard in the first half of 2017. One of the key tentative decisions was the effective date of 1 January 2021. Other key tentative decisions included:

- Aggregation of contracts for measurement and presentation. Earlier suggested requirements resulted in significantly higher granularity of measurement than they expected. The requirements were revised to achieve less granular measurement. An entity should disaggregate a portfolio into groups of insurance contracts that at inception are (1) onerous, (2) profitable with no significant risk of becoming onerous and (3) other profitable contracts. Contracts issued more than one year apart cannot be grouped.

- The IASB provided a number of additional reliefs on transition to IFRS 17 if the retrospective approach cannot be applied. The 'simplified' approach was replaced with a modified retrospective approach that requires entities to rely on the available information to be as close to the full retrospective approach as possible and to use simplifications for the missing information. Modified retrospective approach or the fair value approach may now be unrestrictedly elected for a group of contracts in force on transition.

For detailed notes, read our PwC summary here

Other Highlights

Standard Setting Projects

Disclosure Initiative: Materiality Practice Statement

The Board tentatively decided to:

- Provide guidance for assessing materiality for errors
- Exclude entities applying the IFRS for SMEs Standard from the scope
- Confirm that the guidance is non-mandatory.

Conceptual Framework

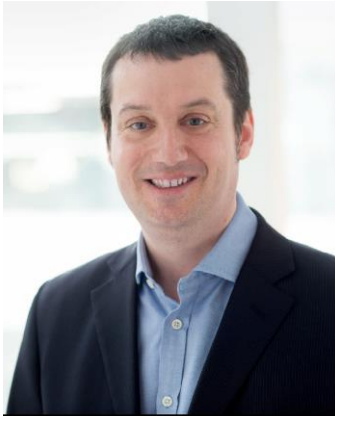
The Board discussed the wording that would support the definition of a liability and an asset. They tentatively decided to clarify terms including, 'no practical ability to avoid' and 'as a result of past events.' They also tentatively decided that the definition of a liability should not require a "present claim" against the other party.

Research Projects

FICE

Work on FICE continued in November. The main discussion was around the exceptions to the definition of a financial liability in 16A-D in IAS 32 (puttable instruments and instruments with obligations to deliver a pro rata share of net assets only on liquidation). The board tentatively decided to retain these paragraphs under the Gamma approach.

The leases lab



IFRS 16 gives rise to many challenges, so Professor Lee Singh starts a new experiment – this time with his assistant Derek Carmichael

Hypothesis

Identifying the appropriate discount rate to use when calculating a lease liability is an easy task.

Testing and analysis

The lessee measures a lease liability at the present value of lease payments on the commencement date of a lease. The lessee should discount the payments using the *interest rate implicit in the lease if that rate can be readily determined.*

The implicit rate is the rate of interest that causes the present value of (a) lease payments and (b) the unguaranteed residual value to equal the sum of (i) the fair value of the underlying asset and (ii) any initial direct costs of the lessor.

In practice, the interest rate implicit in the lease is unlikely to be stipulated in the agreement, unless the lessor volunteers the information to the lessee. The lessee will instead need to use available information to calculate or estimate the unguaranteed residual value and fair value of the underlying asset as well as any initial direct costs of the lessor in order to derive an estimate of the rate. This can be difficult, as lessees might not have access to the information required.

The standard permits a lessee to use their incremental borrowing rate where the implicit rate cannot be readily determined; however, this is not a policy choice. The incremental borrowing rate is the rate at which the lessee would borrow to acquire the right of use asset (not the underlying asset). The rate should reflect the rate of a secured borrowing for a similar term and asset with a similar security, as well as the credit standing of the entity.

Depending on the nature of the underlying asset and the terms and conditions of the lease, a lessee might be able to use an observable property yield as a starting point for leases of property assets.

However, lessees would face the challenge as to whether they can obtain property yields for all of their leased properties. Even if a yield is available, the lessee cannot simply use the yield directly as the standard requires the use of a discount rate specific to the contract. This means the lessee must make adjustments for the terms of the specific lease, and this is not simple. Quite often companies need to involve their real estate department and treasury departments or external valuation experts.

Conclusion

Identifying the interest rate implicit in a lease will often be a difficult task, and this might force a lessee to default to using their incremental borrowing rate. This rate should exclude the cost of equity finance.

Practical application

Lessees will often find it difficult to determine the interest rate implicit in a lease as it will typically require access to information that might not be readily available. Although some observable information such as property yields might be available as a starting point, these still require adjustment for the specific terms and conditions of the lease.

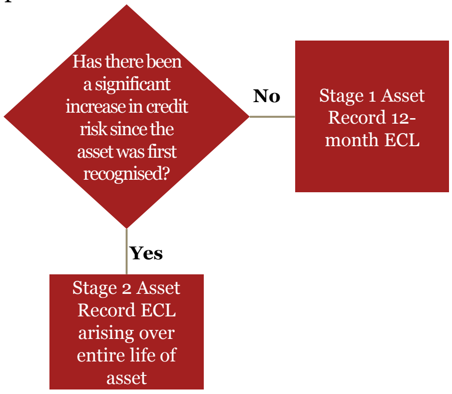
Lessees might find it easier to determine their own incremental borrowing rate to use in the calculation of the lease liability. However, with current low interest rates, it might result in significantly higher leases liabilities, particularly for longer-term property leases.

For more on discount rates, see our new video, "IFRS 16 Leases Temperature check".
Our full range of leases content can be found on PwC Inform, including videos on various aspects of the new standard.

Demystifying IFRS 9

Holger Meurer, PwC Financial Instruments specialist, explores what information can cause you to fall off the impairment cliff.

In the IFRS 9 expected credit loss (ECL) model, a significant increase in credit risk of a financial asset marks a clear change. If there has been a significant increase in credit risk, the asset is in 'stage 2' and lifetime ECL is booked. Lifetime ECL is equal to the expected credit losses that result from all possible default events over the expected life of a financial instrument.



In the second column in our series, we will further explore what information a company can use to decide if there has been a significant increase in credit loss.

Use of qualitative information

It is not always necessary to rely on complex statistical models or credit ratings processes to determine whether there is a significant increase in credit risk. Sometimes it is enough to have a closer look at qualitative and non-statistical quantitative information.

IFRS 9 provides a long list of qualitative factors that either individually or in aggregate imply a significant increase in credit risk. Examples include external market indicators for a particular financial instrument (such as the credit spread or credit default swap prices), a change in the borrower's operating results or its expected performance and behaviour, and an adverse change in the regulatory, economic or technological environment of the borrower. Any of these can indicate that it is time to move the loss allowance from 12-month expected credit losses to lifetime expected credit losses.

In practice, existing watch lists are a helpful starting point to make a qualitative assessment. However, they are only a starting point: enhancements are often needed to ensure that they capture a sufficiently broad range of factors to comply with IFRS 9.

Use of past due information

Days past due information can also indicate that credit risk has increased significantly. However, it should not usually be the only measure: if an entity has forward looking information that is reasonable and supportable it should use this in the assessment.

There is a rebuttable presumption that credit risk has increased significantly when contractual payments are more than 30 days past due. However, this '30 days past due' rebuttable presumption serves only as a backstop, that is, as the latest point at which lifetime losses are recognised. In most cases, a significant increase will take place before the asset is 30 days past due. An entity can rebut the '30 days past due' presumption only when it has reasonable and supportable information available that demonstrates that even if contractual payments become more than 30 days past due, this does not represent a significant increase in the credit risk of a financial instrument.

At what level shall an entity make the assessment?

An entity does not have to assess each single financial asset separately but can make the assessment based on a portfolio of assets instead. For example, for retail loans, an entity normally does not update and monitor credit risk information for every customer until the customer breaches the contractual terms. A loss allowance based only on credit information at an individual loan level in this case would not provide relevant information.

Loans can only be aggregated if they share similar credit risk characteristics. Shared credit risk characteristics might include the instrument type, credit risk ratings, collateral type or value, date of initial recognition, remaining term to maturity, industry or geographical location of the borrower.

Summary

IFRS 9 describes several ways to assess whether there is a significant increase in credit risk – use of quantitative information, of qualitative information and of past due information. In practice, we usually see a mix of all of these with more emphasis on quantitative information for small balance retail loans and more on qualitative information for larger balance corporate loans. Nevertheless, it still seems to be easy to fall into recognising lifetime rather than 12 month expected credit losses.

What next?

Next month's column will cover how forward looking information is incorporated in the measurement of expected credit losses.

IFRIC Rejections in short – IAS 27

Tatiana Geykhman of Accounting Consulting Services examines the practical implications of IFRIC rejections related to IAS 27.

Looking for an answer? Maybe it was already addressed by the experts

The Interpretations Committee (IC) regularly considers anywhere up to 20 issues at its periodic meetings. A very small percentage of the issues discussed result in an interpretation. Many issues are rejected; some go on to become an improvement or a narrow scope amendment. The issues that are not taken on to the agenda end up as 'IFRIC rejections', known in the accounting trade as 'not an IFRIC' or NIFRICs. The NIFRICs are codified (since 2002) and included in the 'green book' of standards published by the IASB although they technically have no standing in the authoritative literature. This series covers what you need to know about issues that have been 'rejected' by the IC. We go standard by standard and continue with IAS 27 as per below.

Nine matters related to IAS 27 have resulted in an agenda rejection by the IC to date. The issuance of IFRS 10 and 11 addressed a number of these matters and several were deferred into research projects research projects – for example 'Business Combinations under Common Control' and 'Financial Instruments with Characteristics of Equity.'

Separate financial statements issued before consolidated financial statements (January 2006)

The IC was asked whether IAS 27 permits separate accounts to be published prior to publishing consolidated accounts. The IC rejected this issue on the basis that the Standard is clear. IAS 27 explains that separate financial statements are presented in addition to the consolidated financial statements. The Standard requires that separate financial statements identify the consolidated financial statements to which separate accounts relate. The IC noted it would not expect diversity in practice in this respect.

Combined financial statements and redefining the reporting entity

The IC was asked whether a reporting entity has the ability to present financial statements that include a selection of entities that are under common control, rather than being restricted to a parent/subsidiary relationship defined by IAS 27.

The IC also was asked whether a reporting entity could be redefined to exclude from comparative periods entities/businesses that have been carved-out of a group.

The IC deferred these issues into the common control research project. The IC noted that this project would consider the interpretation of 'reporting entity' in the context of common control. A discussion paper is not expected for at least 6 months. Reporting entities should develop accounting policy and apply this policy consistently. For further information, please refer to the PwC Practical guide on combined and carve-out financial statements.

Group reorganisations in separate financial statements

The IC was asked whether the simplified 'new parent' method could be applied to a new parent with more than one subsidiary. Under this method the new parent measures the cost of investment in its separate financial statements at the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the date of the reorganisation.

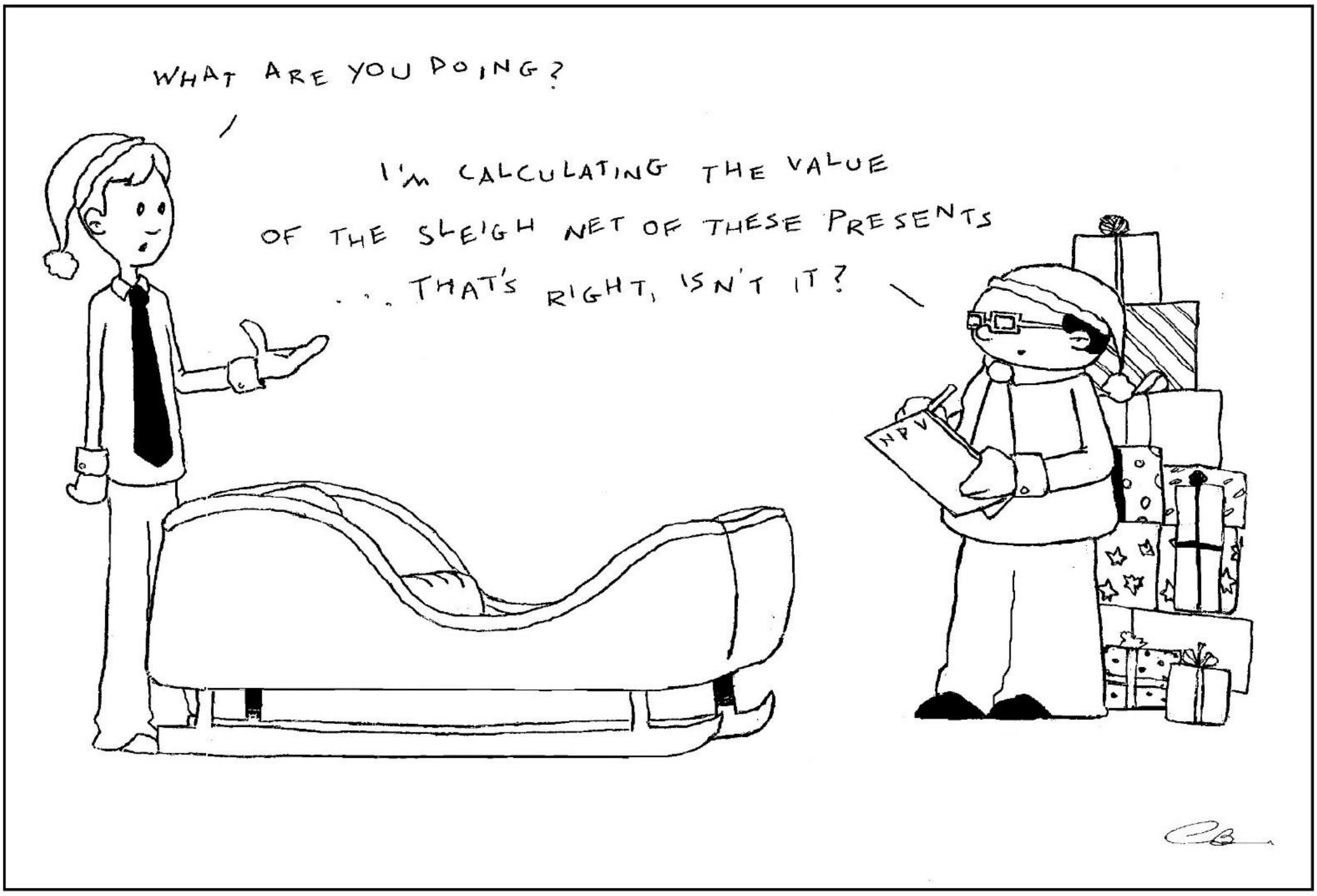
The IC noted the 'new parent' method (as per paras 13-14 of IAS 27) applies only when the assets and liabilities of the new group and the original group are the same before and after reorganisation. This condition is not met in the case of more than one direct subsidiary.

The IC decided not to add this issue to its agenda as there is already sufficient guidance in IAS 27.

Summary of IAS 27 rejections

Topic	Conclusion
The effects of rights of veto on control (August 2002)	The IC discussed an issue relating to the effect of rights of veto given to a third party on the assessment of whether an owner of more than half of the voting rights in an enterprise has control. The IC did not add this issue to the agenda and deferred it to the Consolidation project. The rights of veto are addressed now in paras B15 and B18 of IFRS 10.
SIC-12 (November 2002)	The IC noted that 'majority' of benefits or risks in SIC-12 referred to the majority of the variability of expected economic outcomes rather than the absolute economic outcome. SIC-12 was superseded by IFRS 10 and IFRS 12.
Consolidated and separate financial statements (January 2006)	The IC noted that separate financial statements should identify the consolidated financial statements to which separate accounts relate.
SIC-12 (November 2006)	The IC was asked to clarify the relative weight to be given to the various indicators in paragraph 10 of SIC-12 in assessing control over special purpose entity (SPE). The IC noted that SIC-12 requires an entity to exercise judgment and skill in each case of control assessment after taking into consideration all relevant facts and circumstances. This guidance is now incorporated into para 8 of IFRS 10.
Transaction costs for non-controlling interest (July 2009)	IAS 27 provides that transactions with owners are not part of the income and expense generated by the entity's activities during that period. The IFRIC decided not to add the issue to its agenda because IAS 27 is clear.
Combined financial statements and redefining the reporting entity (January 2010)	The IC noted that the ability to include entities within a set of IFRS financial statements depends on the interpretation of 'reporting entity' in the context of common control. The IC noted that the Board's common control project referred to above will also consider the accounting for demergers, such as the spin-off of a subsidiary or business. Consequently, the IC decided not to add these issues to its agenda.
Presentation of comparatives when applying the 'pooling of interests' method (January 2010)	The IC noted that IFRS 3, *Business Combinations* excludes from its scope 'a combination of entities or businesses under common control'. Consequently, the IC believed that the issue should be addressed by the common control project and decided not to add this issue to its agenda.
Group reorganisation in separate financial statements (September 2011)	The IC was asked whether the simplified 'new parent' method of measuring the cost of investment in a subsidiary in the separate financial statements of a new parent could be applied directly or by analogy when there is more than one direct subsidiary. The IC noted that the conditions required to apply the 'new parent' method are not met in the case of more than one direct subsidiary. The IC pointed out that IAS 27 is clear that the 'new parent' method does not apply to other types of reorganisations. The cost of an investment in a subsidiary should be determined on the normal basis. The IC decided not to add this issue to its agenda as there is already sufficient guidance in IAS 27.
Non-cash acquisition of a non-controlling interest by a controlling shareholder in the consolidated financial statements (January 2013)	The IC was requested to clarify whether the difference between the fair value of the consideration given for NCI and the carrying amount of this consideration should be recognised in equity or in profit or loss. The IC noted that para 31 of IAS 27 deals solely with the difference between the carrying amount of NCI and the fair value of the consideration given; this difference is required to be recognised in equity. The difference between the fair value of the assets transferred and their carrying amount arises from the derecognition of those assets and is generally required to be recognised in profit or loss. The IC concluded that an interpretation or an amendment to the standards was not necessary and consequently decided not to add this issue to its agenda.

The bit at the back ...



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