

# Post Implementation Review (PIR) IFRS 10, 11 og 12

Webinar 29. april 2021



Norsk RegnskapsStiftelse

# Post Implementation Review (PIR) IFRS 10,11 og 12

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Dagens seminar vil;

- Beskrive hvorfor og hvordan en PIR gjennomføres
- Gjennomgå de spørsmålene som spesifikt er stilt av IASB
- Invitere deltakerne til å komme med sine tilbakemeldinger
- Få innsikt i ESMA's foreløpige tilbakemeldinger

Fra Norsk RegnskapsStiftelses Fagorgan får dere i dag høre;

Bjørn Einar Strandberg (PWC)

Morten Haukaas (Equinor)

Tine Svae (Finanstilsynet)

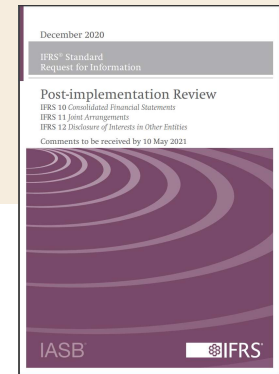
Paul Midling Larsen (KPMG)



# Høringssvar



12 Comments are most helpful if they:

- (a) answer the questions as stated;
- (b) indicate the paragraph or paragraphs of IFRS 10, IFRS 11 or IFRS 12 to which they relate;
- (c) describe the effects of the requirements on relevance, faithful representation, comparability and costs;
- (d) assess the matter's pervasiveness; and
- (e) are supported by examples.



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

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[Request for Information and comment letters](#)

| CURRENT STAGE | ABOUT | PUBLISHED DOCUMENTS | SUPPORTING MATERIAL | CONSULTATION FEEDBACK | PROJECT HISTORY | PROJECT NEWS | MEETINGS |
|---------------|-------|---------------------|---------------------|-----------------------|-----------------|--------------|----------|
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## Current stage

The International Accounting Standards Board (Board) has published a Request for Information on the Post-implementation Review of IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*.

The objective of the Request for Information is to seek feedback on the matters the Board is examining to help assess the effects of the Standards' requirements on users of financial statements, preparers and auditors.

The Request for Information is open for comment until 10 May 2021.

## IASB® Update November 2020

The Board met on 18 November 2020 to review the due process steps taken in establishing the scope of the Post-implementation Review and developing the draft Request for Information.

All 13 Board members confirmed they were satisfied the Board has complied with the due process requirements to establish the scope of the review.

The Board decided to publish the Request for Information with a comment period of 150 days. Eleven of 13 Board members agreed with this decision.

### Related Information

**Next milestone:** Request for Information Feedback

**Previous meeting:** Global Preparers Forum March 2021

## Share



December 2020

IFRS® Standard  
Request for Information

## Post-implementation Review

IFRS 10 *Consolidated Financial Statements*  
IFRS 11 *Joint Arrangements*  
IFRS 12 *Disclosure of Interests in Other Entities*

Comments to be received by 10 May 2021



IASB®

 IFRS®

## Objectives when developing the Standards

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- IFRS 10 *Consolidated Financial Statements*
  - Established a single consolidation model, based on principle of control
  - Consolidation exception for investment entities
- IFRS 11 *Joint Arrangements*
  - Classification of joint arrangements based on rights and obligations
  - Elimination of accounting option for joint ventures
- IFRS 12 *Disclosure of Interests in Other Entities*
  - Combined and enhanced disclosure requirements of subsidiaries, joint arrangements, associates and unconsolidated structured entities

# Post-implementation Reviews

- The IASB undertakes a post-implementation review of a new IFRS Standards after it has been implemented internationally for more than two years
- A post-implementation review is a part of the IASB due process and helps to assess the effect of new requirements on investors, preparers and auditors

I utgangspunktet ikke en omkamp om reguleringer i standardene som fungerer etter hensikten

## Objectives of a post-implementation review


- 1 *Has the objective of the standard-setting project been met?*
- 2 *Is the information provided by the Standard useful to users of financial statements?*
- 3 *Are the costs for preparing, auditing, enforcing, or using the information provided by the Standard broadly as expected when the Standard was developed?*
- 4 *Are the requirements capable of being applied consistently?*



# Timeline of the Post-implementation Review

Agenda ref 5





# Matters examined in the Request for Information



# Matters in the Request for Information

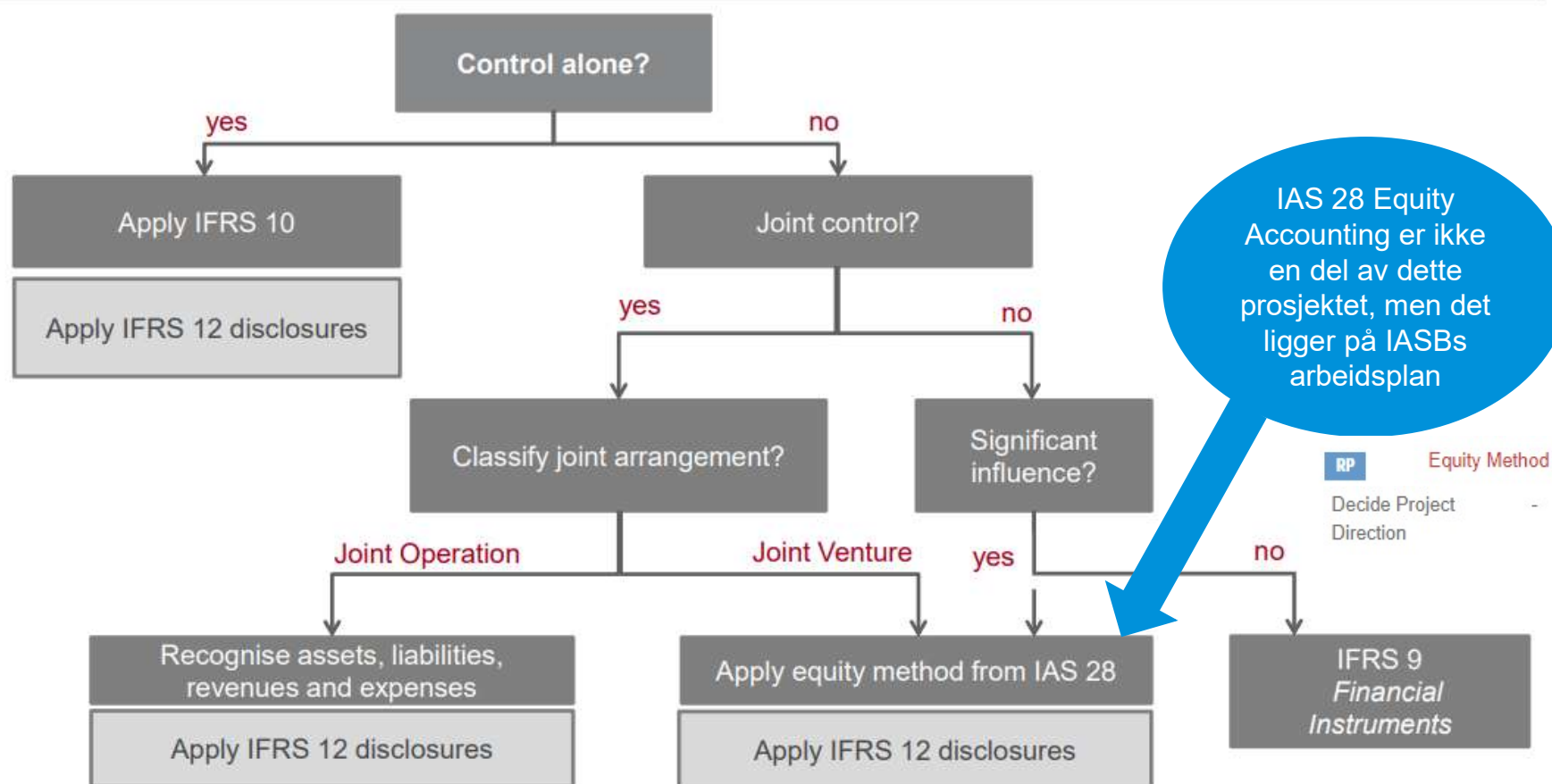
| IFRS 10<br>Consolidation   |   |  | IFRS 11<br>Joint arrangements                           | IFRS 12<br>Disclosure            |
|--|---|--|---|----------------------------------|
| <b>Control assessment</b> <ul style="list-style-type: none"> <li>• relevant activities</li> <li>• rights that give an investor power</li> <li>• control without a majority of the voting rights</li> <li>• agency relationship</li> <li>• non-contractual agency relationship</li> </ul> |   |  | Collaborative arrangements outside the scope of IFRS 11 | Meeting the disclosure objective |
|  |   |  | Classifying joint arrangements                          |                                  |
| Investment entities  | Change in the relationship with an investee | Partial acquisition a single asset company | Accounting requirements for joint operations            |                                  |



# IFRS 10

# Relationship between IFRS 10,11,12, and IAS 28

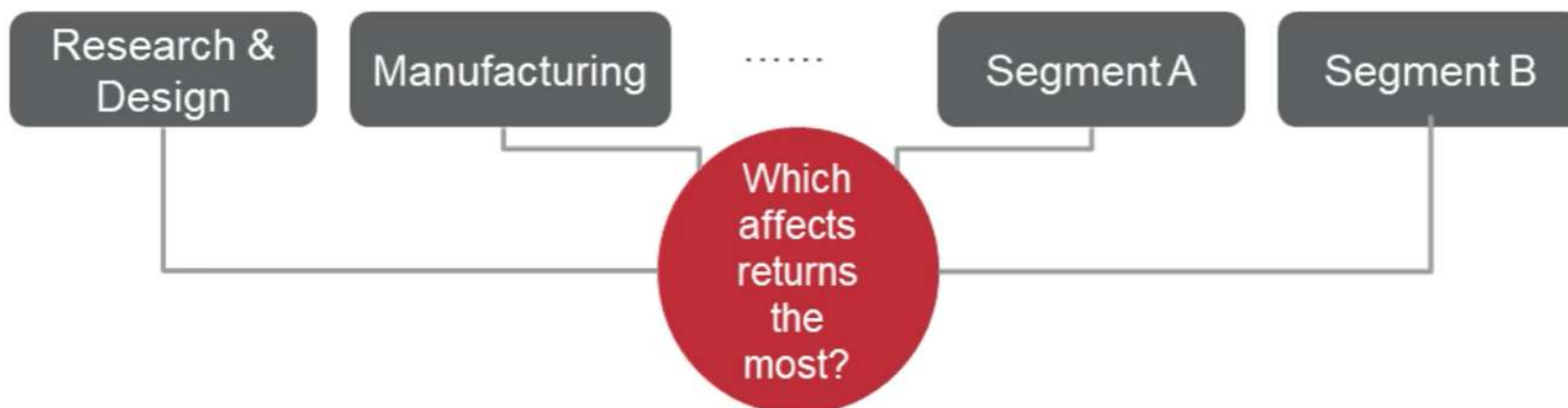
## *Investments in Associates and Joint Ventures*



## Identifying relevant activities of an investee

### Feedback

Identifying relevant activities is challenging when two or more investors each have rights that give them the unilateral ability to direct **different activities**, especially when those activities occur at **different times** or are **conditional** on future events



# Question

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## Question 2(a)

### Relevant activities

- To what extent does applying paragraphs 10–14 and B11–B13 of IFRS 10 enable an investor to identify the relevant activities of an investee?
- Are there situations in which identifying the relevant activities of an investee poses a challenge, and how frequently do these situations arise?
- In these situations, what other factors are relevant to identifying the relevant activities?

## Rights that give an investor power

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### Feedback

Assessing whether rights **give an investor power** can be challenging. Can the guidance on how an investor **assesses** its own rights and rights of other parties be improved?

Appointment of  
key  
management  
personnel

Disposal of  
significant  
assets

Entering or  
exiting new  
markets

Agreeing on  
financing  
arrangements

Appointment of  
board  
members, in  
case of breach  
of covenant

Approval of  
remuneration  
for key  
management  
personnel



# Question

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## Question 2(b)

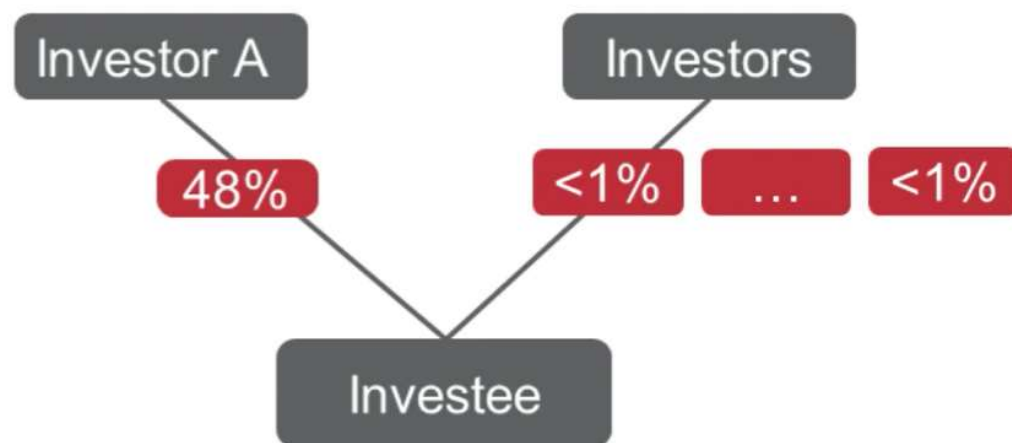
### Rights that give an investor power

- To what extent does applying paragraphs B26–B33 of IFRS 10 enable an investor to determine if rights are protective rights?
- To what extent does applying paragraphs B22–B24 of IFRS 10 enable an investor to determine if rights (including potential voting rights) are, or have ceased to be, substantive?

## Control without a majority of the voting rights

### Feedback

Judgment is required to assess whether an investor has the **practical ability** to direct an investee's relevant activities because of the **size** of the investor's voting rights relative to the size and **dispersion** of the other shareholdings



# Question

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## Question 2(c)

### Control without a majority of voting rights

- To what extent does applying paragraphs B41–B46 of IFRS 10 in situations in which the other shareholdings are widely dispersed enable an investor that does not hold a majority of the voting rights to make an appropriate assessment of whether it has acquired (or lost) the practical ability to direct an investee's relevant activities?
- How frequently does the situation in which an investor needs to make the assessment described in question 2(c)(i) arise?
- Is the cost of obtaining the information required to make the assessment significant?

## Assessing if a decision maker acts as a principal or an agent

### Feedback

Judgment is required to assess whether a decision maker's exposure to **variability of returns** is consistent with being an agent

Scope of investor's  
decision-making  
authority over the  
investee

Rights held by other  
parties

Remuneration  
agreement(s)

Decision maker's  
exposure to  
variability of returns  
from other interests  
it holds in the  
investee

Weightings shall be applied to each factor based on facts and circumstances

# Question

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## Question 3(a)

### Agency relationships

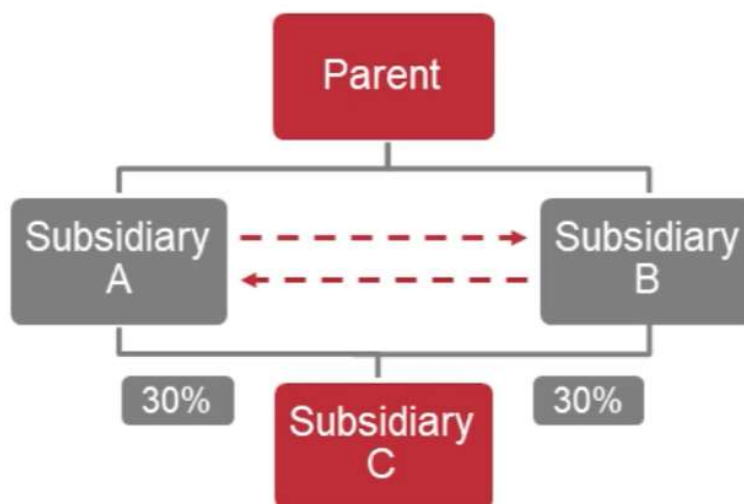
- To what extent does applying the factors listed in paragraph B60 of IFRS 10 (and the application guidance in paragraphs B62–B72 of IFRS 10) enable an investor to determine whether a decision maker is a principal or an agent?
- Are there situations in which it is challenging to identify an agency relationship? If yes, please describe the challenges that arise in these situations.
- How frequently do these situations arise?

# Identifying non-contractual agency relationships

## Feedback

Proving or disproving an **agency relationship** can be challenging when there is **no** contractual arrangement (a de facto agency relationship)

Does Subsidiary A or Subsidiary B have control of Subsidiary C?



BC 69 Bare en investor kan kontrollere

Forvirring om B74, kan leses som at begge skal konsolidere

([EECS/0120-04 – Assessment of De-facto control](#))



# Question

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## Question 3(b)

### Non-contractual agency relationships

BC 143-146

- To what extent does applying paragraphs B73–B75 of IFRS 10 enable an investor to assess whether control exists because another party is acting as a de facto agent (ie in the absence of a contractual arrangement between the parties)?
- How frequently does the situation in which an investor needs to make the assessment described in question 3(b)(i) arise?
- Please describe the situations that give rise to such a need?

# Identifying an investment entity

## Feedback

**Definition** of an investment entity—stakeholders asked for clarification

### Criteria

- business purpose
- exit strategy
- fair value measurement

### Characteristics

- more than one investment
- more than one investor
- investors that are not related parties of the entity
- ownership interests in the form of equity or similar interests

# Question

Innvirkning på norske rentebegrensningsregler!

## Question 4(a)

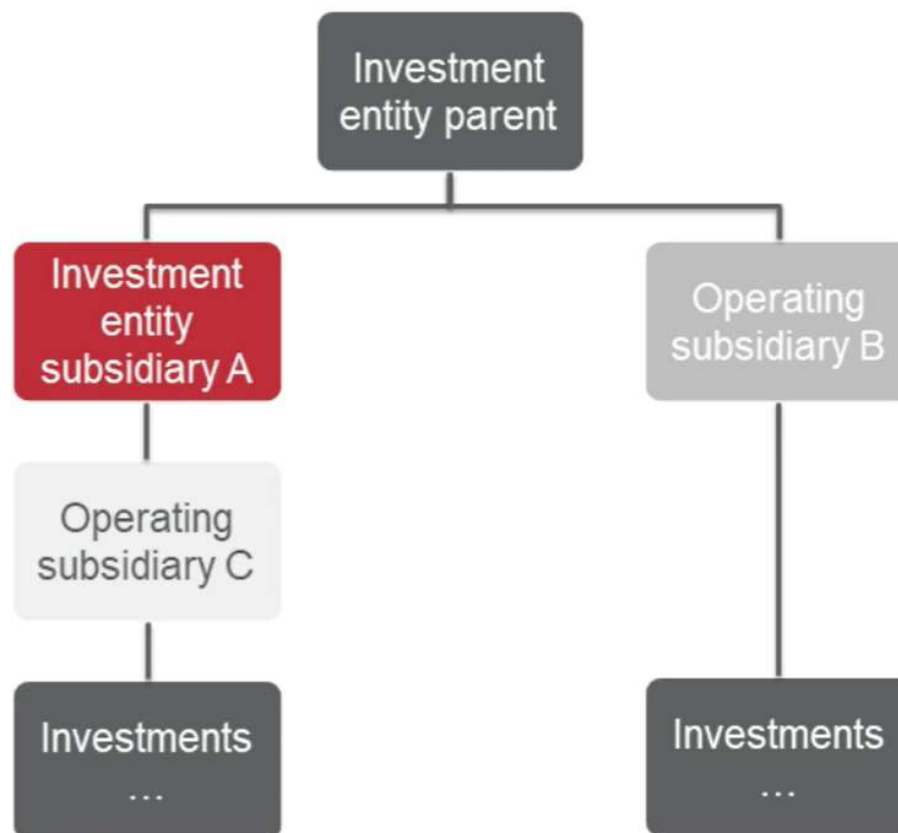
### Investment entities

- To what extent does applying the definition and the description of the typical characteristics lead to consistent outcomes? If you have found that inconsistent outcomes arise, please describe these outcomes and explain the situations in which they arise.
- To what extent does the definition and the description of typical characteristics result in classification outcomes that, in your view, fail to represent the nature of the entity in a relevant or faithful manner? Please provide the reasons for your answer.

## Accounting for a subsidiary of an investment entity that is also an investment entity

### Feedback

Measuring at fair value an **investment in a subsidiary** which is an investment entity itself (rather than consolidating the assets and liabilities of the subsidiary) results in loss of information



# Question

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## Question 4(b)

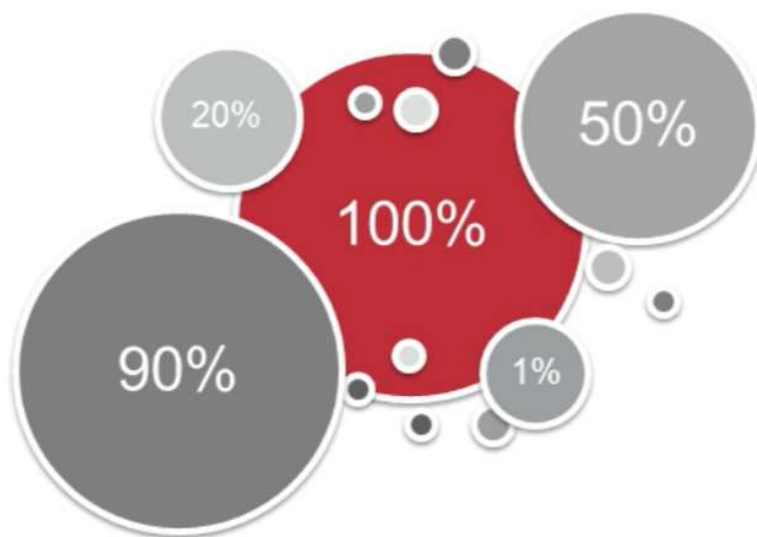
### **Subsidiaries that are investment entities**

- Are there situations in which requiring an investment entity to measure at fair value its investment in a subsidiary that is an investment entity itself results in a loss of information? If so, please provide details of the useful information that is missing and explain why you think that information is useful.
- Are there criteria, other than those in paragraph 32 of IFRS 10, that may be relevant to the scope of application of the consolidation exception for investment entities?

# Change in the relationship between an investor and an investee

## Feedback

Requirements on how to account for a transaction, event or circumstance that **alters the relationship** between an investor and an investee do not address all situations





# Question

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## Question 5(a)

### Change in the relationship

- How frequently do transactions, events or circumstances arise that:
  - alter the relationship between an investor and an investee; and
  - are not addressed in IFRS Standards?
- How do entities account for these transactions, events or circumstances?
- In transactions, events or circumstances that result in a loss of control, does remeasuring the retained interest at fair value provide relevant information? If not, please explain why not, and describe the relevant transactions, events or circumstances.

# Observasjon – Spørsmål 5a)

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## **Gevinst ved tap av kontroll og reklassifisering av omregningsdifferanser**

- Overgang fra kontroll til ikke-kontroll definert som en fundamental hendelse som medfører gevinstberegning og startpunkt på virkelig verdi i IAS 28 eller IFRS 9
  - Tap av kontroll kan skje uten at det er en transaksjon (utvanning, endring avtale etc.)
  - Etter dagens regler skal alle omregningsdifferanser reklassifiseres i resultatet samtidig
  - Er det logisk å resultatføre dersom valutaeksponeringen er uendret?



## Partial acquisition of a subsidiary that does not constitute a business

### Feedback

IFRS Standards do not address the accounting for the **partial acquisition** of a subsidiary that does **not** constitute a **business**

[Agenda Decision 11/17](#)

Two practices:

- (a) allocate the consideration paid to the identifiable assets and liabilities acquired based on their relative fair values; or
- (b) apply the acquisition method in IFRS 3 *Business Combinations*



# Question

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## Question 5(b)

### **Partial acquisition of a subsidiary that does not constitute a business**

- How do entities account for transactions in which an investor acquires control of a subsidiary that does not constitute a business, as defined in IFRS 3, and does the investor recognise a non-controlling interest for equity not attributable to the parent?
- How frequently do these transactions occur?

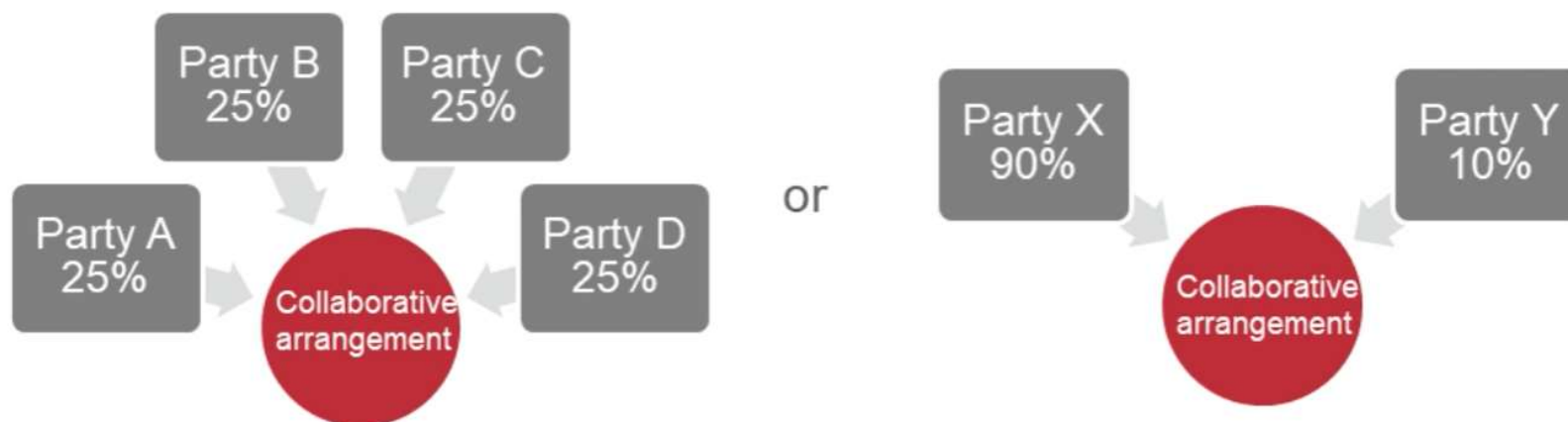


# IFRS 11

## Collaborative arrangements outside the scope of IFRS 11

### Feedback

IFRS Standards do not provide sufficient requirements for all types of collaborative arrangements, such as arrangements in which two or more parties manage activities together but do not have **joint control**





Those of Equinor's exploration and production licence activities that are within the scope of IFRS 11 Joint Arrangements have been classified as joint operations. A considerable number of Equinor's unincorporated joint exploration and production activities are conducted through arrangements that are not jointly controlled, either because unanimous consent is not required among all parties involved, or no single group of parties has joint control over the activity. Licence activities where control can be achieved through agreement between more than one combination of involved parties are considered to be outside the scope of IFRS 11, and these activities are accounted for on a pro-rata basis using Equinor's ownership share. Currently there are no significant differences in Equinor's accounting for unincorporated licence arrangements whether in scope of IFRS 11 or not.

Joint ventures, in which Equinor has rights to the net assets, are accounted for using the equity method. These currently include the majority of Equinor's investments in the New Energy Solutions (NES) operating segment, presented within the reporting segment 'Other'.

# Question

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## Question 6

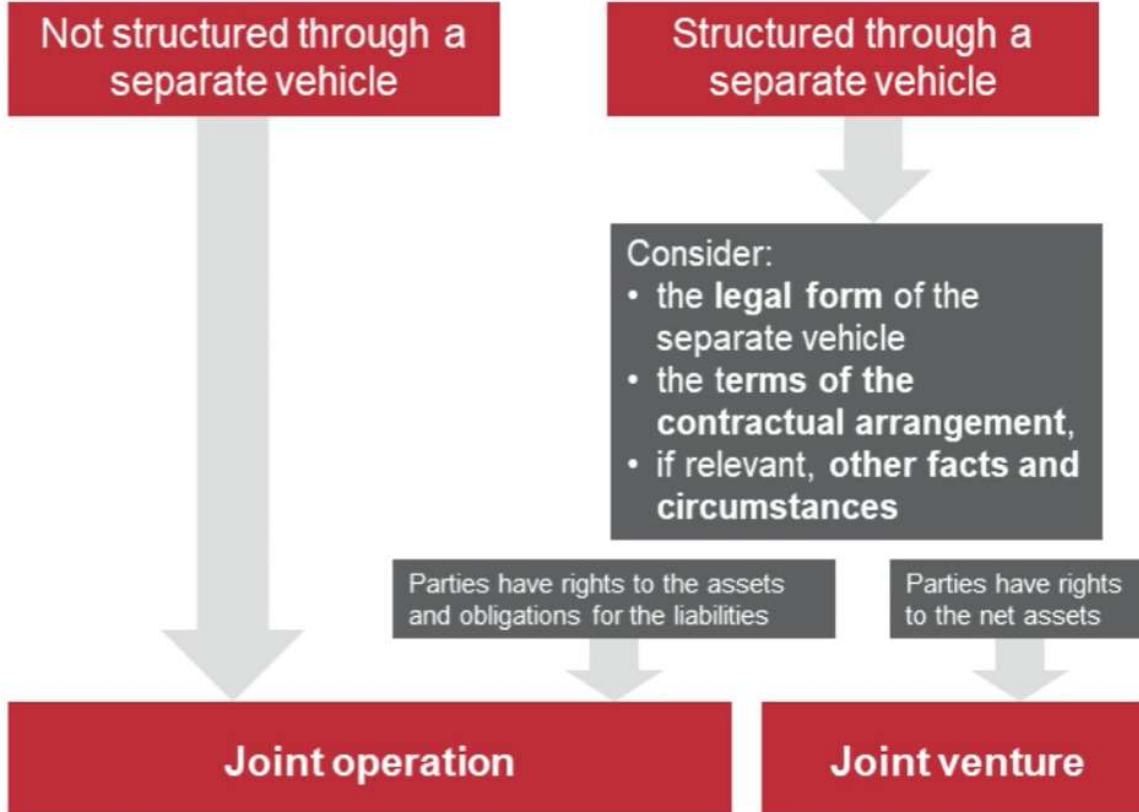
### **Collaborative arrangements not in the scope of IFRS 11**

- How widespread are collaborative arrangements that do not meet the IFRS 11 definition of 'joint arrangement' because the parties to the arrangement do not have joint control? Please provide a description of the features of these collaborative arrangements, including whether they are structured through a separate legal vehicle.
- How do entities that apply IFRS Standards account for such collaborative arrangements? Is the accounting a faithful representation of the arrangement and why?

# Classifying joint arrangements

## Feedback

**Classifying** some joint arrangements requires significant judgement



# Question

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## Question 7

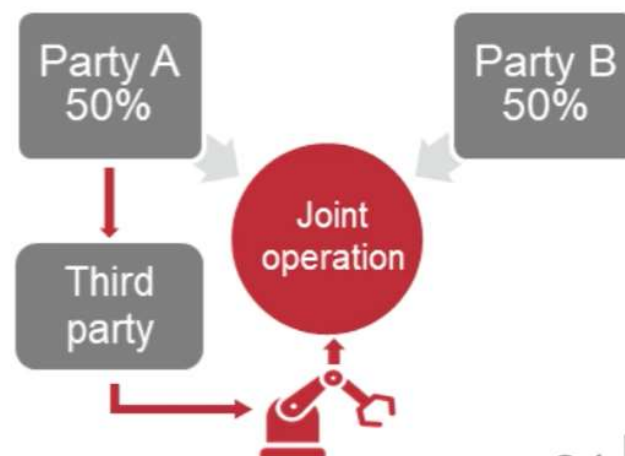
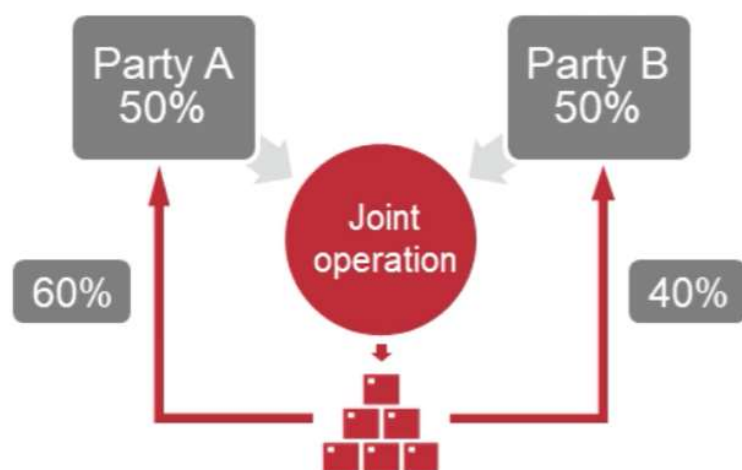
### Classifying joint arrangements

- Are you aware of how frequently a party to a joint arrangement, after considering its legal form and contractual arrangements, needs to consider other facts and circumstances to determine the classification of the joint arrangement?
- Are you aware of other factors that may be relevant to the classification that are not included in IFRS 11?

# Accounting requirements for joint operations

## Feedback

Further guidance is requested on accounting for joint operations in some situations, for example, when joint operators are committed to buying a share of output that differs from their share of ownership in the joint operation





## Joint operations

- 20 A joint operator shall recognise in relation to its interest in a joint operation:
- (a) its assets, including its share of any assets held jointly;
  - (b) its liabilities, including its share of any liabilities incurred jointly;
  - (c) its revenue from the sale of its share of the output arising from the joint operation;
  - (d) its share of the revenue from the sale of the output by the joint operation; and
  - (e) its expenses, including its share of any expenses incurred jointly.

### Perceived conflict between IFRS 11 and IFRS 16 should be more thoroughly addressed

Based on the Staff paper to the proposed Agenda decision, we believe there may be a conflict between IFRS 11 par 20 (b) and IFRS 16 par B11, and we disagree with Staff that the wording of IFRS 16 par B11, stating that a joint operator can in fact enter into a liability on behalf of a joint arrangement, cannot be extended beyond defining the narrow field of determining the existence of a lease. A narrow interpretation of this paragraph, as currently indicated in the Staff paper, would have been emphasized in the standard IFRS 16 itself or in its Basis for Conclusions, had this narrow interpretation been the intention. Contrary, IFRS 16 BC126 explicitly states that;

*"When two or more parties form a joint arrangement of which they have joint control as defined in IFRS 11 Joint Arrangements, those parties can decide to lease assets to be used in the joint arrangement's operations. The joint arrangement might be a joint venture or a joint operation. The contract might be signed by the joint arrangement itself if the joint arrangement has its own legal identity, or it might be signed by one or more of the parties to the joint arrangement on behalf of the joint arrangement..."*

Limiting the relevance of an IFRS 16 paragraph to merely apply to the sub-heading under which it is included, also raises the question of whether the same limitation should be applied to other paragraphs in this standard, or in other standards.

## Felleskontrollerte driftsordninger

20

En driftsansvarlig skal innregne følgende i tilknytning til sin interesse i en felleskontrollert driftsordning:

- a) sine eiendeler, herunder sin andel av eiendeler som holdes i fellesskap,
- b) sine forpliktelser, herunder sin andel av forpliktelser som pådras i fellesskap,
- c) sine inntekter fra salget av sin andel i produksjonen som oppstår av den felleskontrollerte driftsordningen,
- d) sin andel av inntektene fra salget av produksjonen fra den felleskontrollerte driftsordningen, og
- e) sine kostnader, herunder sin andel av kostnader som pådras i fellesskap.

### Joint Operation accounting

Upstream projects in the Oil & Gas industry are usually conducted together with one or more partners, in many instances in the form of a joint arrangement that is classified as a joint operation (JO). Usually these projects are of significant size. This makes accounting for JOs most relevant to our industry.

Following the March IFRS Interpretations Committee (IFRIC) agenda decision on leases in unincorporated JOs, many leases entered into by an operator on behalf of an unincorporated JO can no longer be accounted for according to the economic substance of the arrangement. Also, uncertainty has arisen following the aforementioned agenda decision on the wider application of IFRS 11 *Joint Arrangements* (IFRS 11) in respect of accounting for liabilities in JOs. The established and widely applied accounting practice in the Oil & Gas industry reflects the economic substance of contractual arrangements, but it may not be consistent with IFRIC's aforementioned agenda decision. Another important topic that requires further clarification is the distinction between service agreements and risk sharing agreement, which is difficult to evaluate under the existing IFRS 11 standard.

These topics are of such significance to our industry that the post-implementation review of IFRS 11 is the most emerging accounting topic for us.



# Question

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## Question 8

### Accounting requirements for joint operations

- To what extent does applying the requirements in IFRS 11 enable a joint operator to report its assets, liabilities, revenue and expenses in a relevant and faithful manner?
- Are there situations in which a joint operator cannot so report? If so, please describe these situations and explain why the report fails to constitute a relevant and faithful representation of the joint operator's assets, liabilities, revenue and expenses.



# IFRS 12

# IFRS 12

## Feedback

Only a few stakeholders commented on IFRS 12 requirements and feedback was mixed—some stakeholders called for additional disclosures while others argued that the disclosure requirements are excessive.



## Question

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### Question 9

#### IFRS 12

Are you aware of:

- information that is not required by IFRS 12 you consider useful?
- information required by IFRS 12 you consider unnecessary?

An abstract graphic on the left side of the slide. It features a central red circle. Surrounding it are two concentric rings: an inner light blue ring and an outer orange ring. Further out are several more concentric circles in white, some solid and some dashed. The entire graphic is set against a dark gray background.

# Questions?

# Spørsmål 10 andre forhold

## REQUEST FOR INFORMATION—DECEMBER 2020

### Other topics

- 29 As part of the first phase of this Post-implementation Review, some stakeholders raised questions about how IFRS 10 and IFRS 11 interact with other IFRS Standards, for example, with regard to the accounting for transactions involving the sale of a subsidiary to a customer.<sup>5</sup>

#### Question 10

Are there topics not addressed in this Request for Information, including those arising from the interaction of IFRS 10 and IFRS 11 and other IFRS Standards, that you consider to be relevant to this Post-implementation Review? If so, please explain the topic and why you think it should be addressed in the Post-implementation Review.

December 2020

IFRS® Standard  
Request for Information

Post-implementation Review

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interests in Other Entities

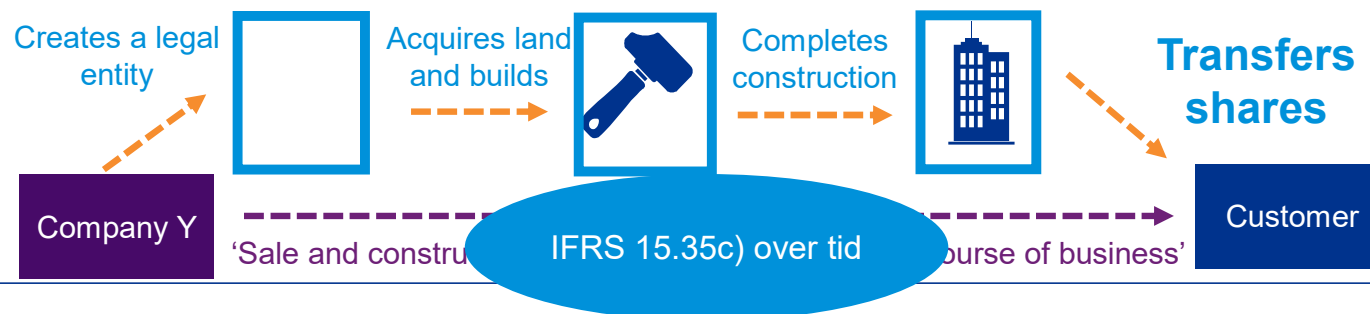
Comments to be received by 10 May 2021





# IFRS 10/IFRS 15 – Sales of real estate entities

Not agenda  
decision, not add to  
IASB work plan



- Is the transaction in the scope of: IFRS 15 (revenue/cost of sales, could be over time); or IFRS 10?
- How should the transaction be presented in profit or loss if IFRS 10 applies: gross – i.e. revenue and cost of sales; or net – i.e. gain or loss from disposal?

## IFRS Interpretations Committee meeting June 2019

### IASB meeting October 2019

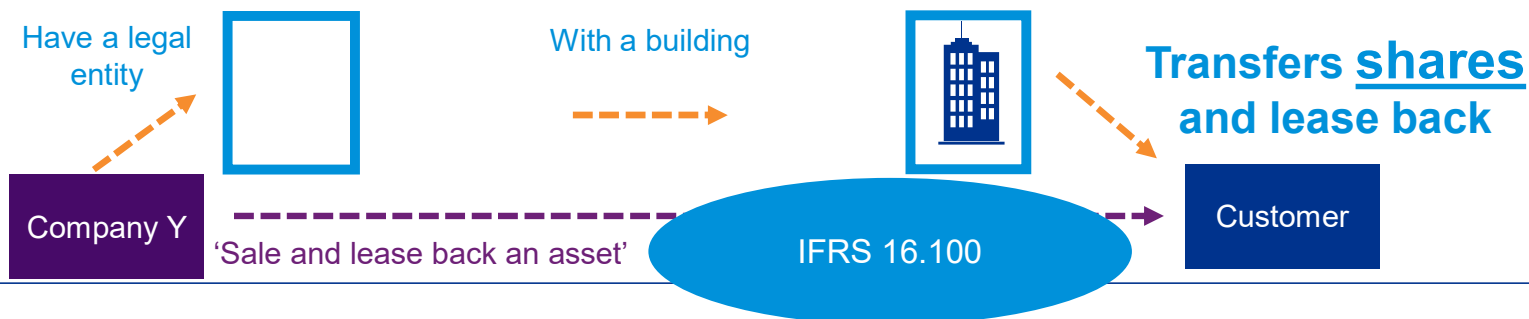
### IASB meeting June 2020

- The staff paper suggested that an entity would apply IFRS 15, instead of IFRS 10, to disposals of a subsidiary to a customer when specific criteria are met.
- The Board decided not to add this project to its work plan, but come back to it in the Post Issuance Review (PIR) process of IFRS 10 / 15

PIR IFRS 10

# Sale and leaseback of an asset in a single-asset entity

Not agenda  
decision, sent to  
IASB



- Situasjonen er nokså parallell med bygging og salg på forrige plansje
- Skal man alltid bruke reglene for fraregning av døtre i IFRS 10.25, B97-99?
- Og hvis ikke, hvor skal grensen gå (hvor «kompleks» må datteren være)?
- I februar 2021 sendte IFRIC problemstillingen til IASB for mulig standardsetting

**PIR IFRS 10**

# Spørsmål 10 andre forhold

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## Er IFRS 10 for svak på overordnede prinsipper for selve konsernregnskapet?

- «presented as those of a single economic entity» - definisjon i Appendix A
  - gjelder enhetssynet kun *presentasjon*?
  - uklart i dag hvordan eliminering av interne gevinster skal fordeles mellom kontrollerende og ikke-kontrollerende eiere
  - uklart hvordan krysseie via egenkapitalmetodeinvesteringer skal håndteres
  - noen Leser eliminering av interngevinst snevert – trenger ikke eliminere når selgende selskap ikke lenger er konsolidert



# ESMA Report on the application of IFRS 10, IFRS 11 and IFRS 12



## Scope:

- Review of the 2017, 2018 and 2019 annual reports
- Enforcement decisions between 2015 and 2021

## Conclusions:

- Overall, the results show that the requirements of the Standards have generally been well applied
- Room for improvement in the level of compliance, comparability and transparency
- Some aspect of the IFRSs can be improved to bring more clarity in areas where uncertainty in practice still exists

[https://www.esma.europa.eu/sites/default/files/library/esma32-67-716\\_report\\_on\\_ifrs\\_10-11-12.pdf](https://www.esma.europa.eu/sites/default/files/library/esma32-67-716_report_on_ifrs_10-11-12.pdf)

## Analysis of selected subtopics

1. the application of the single consolidation model requirements to all entities;
2. the application of requirements related to de facto control;
3. the agent/principal assessment and the role of de facto agents;
4. investment entities and the exception to the consolidation requirement;
5. the application of requirements related to joint operations and joint ventures and accounting by joint operations and joint ventures;
6. the accounting for changes in ownership interests;
7. accounting for the sale of a single asset entity;
8. disclosures.

# Praktisk informasjon

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- IASBs prosjektside

- Høringssvar online <https://www.ifrs.org/projects/open-for-comment/>
- Høringssvar email [commentletters@ifrs.org](mailto:commentletters@ifrs.org)

- EFRAGs prosjektside

- Kontaktinformasjon / høringsinnspill via NRS

- [nrs@revisorforeningen.no](mailto:nrs@revisorforeningen.no)

- 3. mai Frist for tilbakemelding fra deg til NRS
- 10. mai Frist for tilbakemelding fra NRS til IASB

