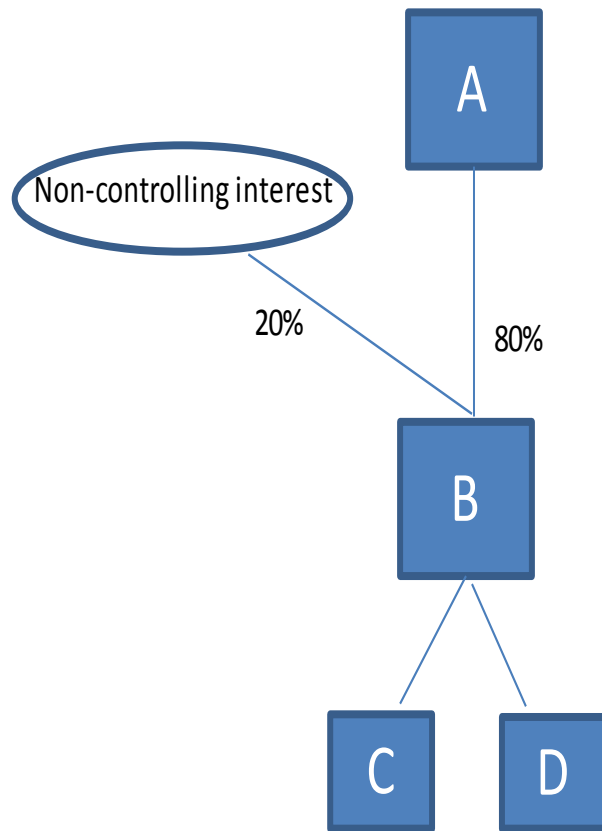# Update of IPSASs 6-8

IPSASB December 2012

Topics

- Draft ED X, *Consolidated Financial Statements*
- Draft ED X, *Joint Arrangements*
- Draft ED X, *Disclosure of Interests in Other Entities*
- Update on IASB Investment Entities project

Consolidated Financial Statements

- Issue 1.1: Exemptions–Intermediate Controlled Entities
- Issue 1.2: Exemptions–Temporary Control
- Issue 1.3: Terminology
- Issue 1.4: Uniform Reporting Dates
- Issue 1.5: Franchises
- Issue 1.6: Examples
- Issue 1.7: Flowcharts

Issue 1.1: Exemptions–Intermediate Controlled Entities

Non-controlling interest

A

20%

80%

B

C   D

Is B exempt?

4(a)(i)	? Needs of users
4(a)(ii)	√ Not trading instruments
4(a)(iii)	√ Not issuing instruments
4(a)(iv)	√ IPSAS compliant statements

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Issue 1.2: Exemptions–Temporary Control

- Confirm one option:
    - Option A: Remove the temporary control exemption (and possibly require additional disclosures)
    - Option B: Make the temporary control exemption more restrictive
    - Option C: Require equity accounting of temporarily controlled entities

Issue 1.2: Exemptions–Temporary Control

- Option A, possible additional disclosures:
  - Description temporarily controlled entities
  - Description acquisition and expected disposal
  - Assets, liabilities etc of temporarily controlled entities

Issue 1.2: Exemptions–Temporary Control

- Option B, possible restrictions
    - 4.1(a) Temporary control - 2 years
    - (b) Formal plan in place
    - (c) Implementation highly probable
        - (i) Approvals likely
        - (ii) Management committed
        - (iii) Available for sale in current condition
        - (iv) Buyer likely
        - (v) Price likely
    - (d) Implementation has begun

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Issue 1.3: Terminology

- Benefits and returns
  - Benefits replaces returns in most places
  - Confirm paragraphs 15-18 in ED?

- Investor and investee
  - Terms replaced in most places in this ED
  - Should investor and investee also be replaced in IPSAS 7 (revised)?

- Relevant activities
  - Financial and operating policies highlighted
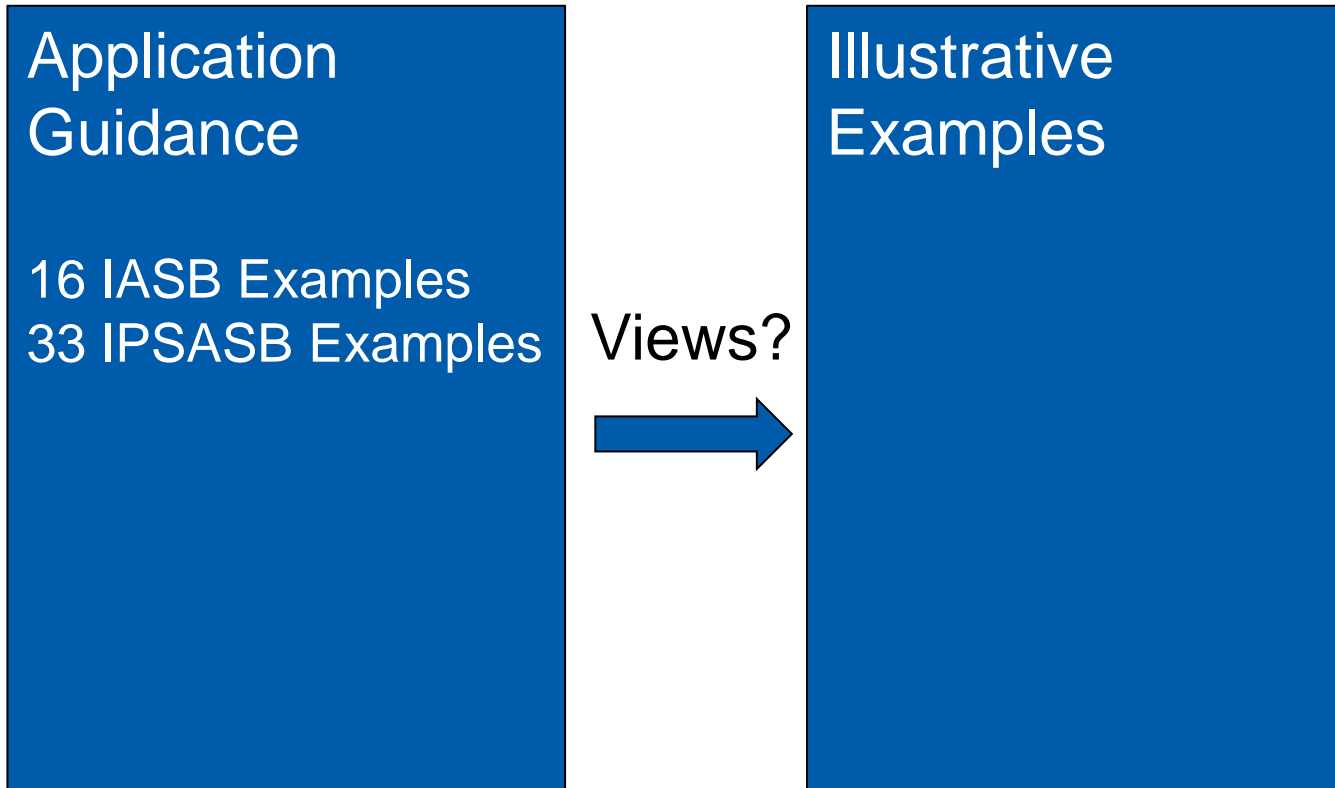
Issue 1.4: Uniform Reporting Dates

- Use same reporting date, unless impracticable

- If reporting dates differ:

  - Prepare additional information, or

  - Adjust most recent financial statements

- Confirm paragraph 21.7

Issue 1.5: Franchises

- Note public sector franchise arrangements
- Confirm deletion of guidance on franchises (AG29-AG33)?

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Issue 1.6: Examples

Application Guidance

16 IASB Examples
33 IPSASB Examples

Views? →

Illustrative Examples

Issue 1.7: Flowcharts

- Flowchart 1: Involvement with other Entities

    – Insert as Application Guidance?

- Flowchart 2: Assessing Control of Another Entity for Financial Reporting Purposes

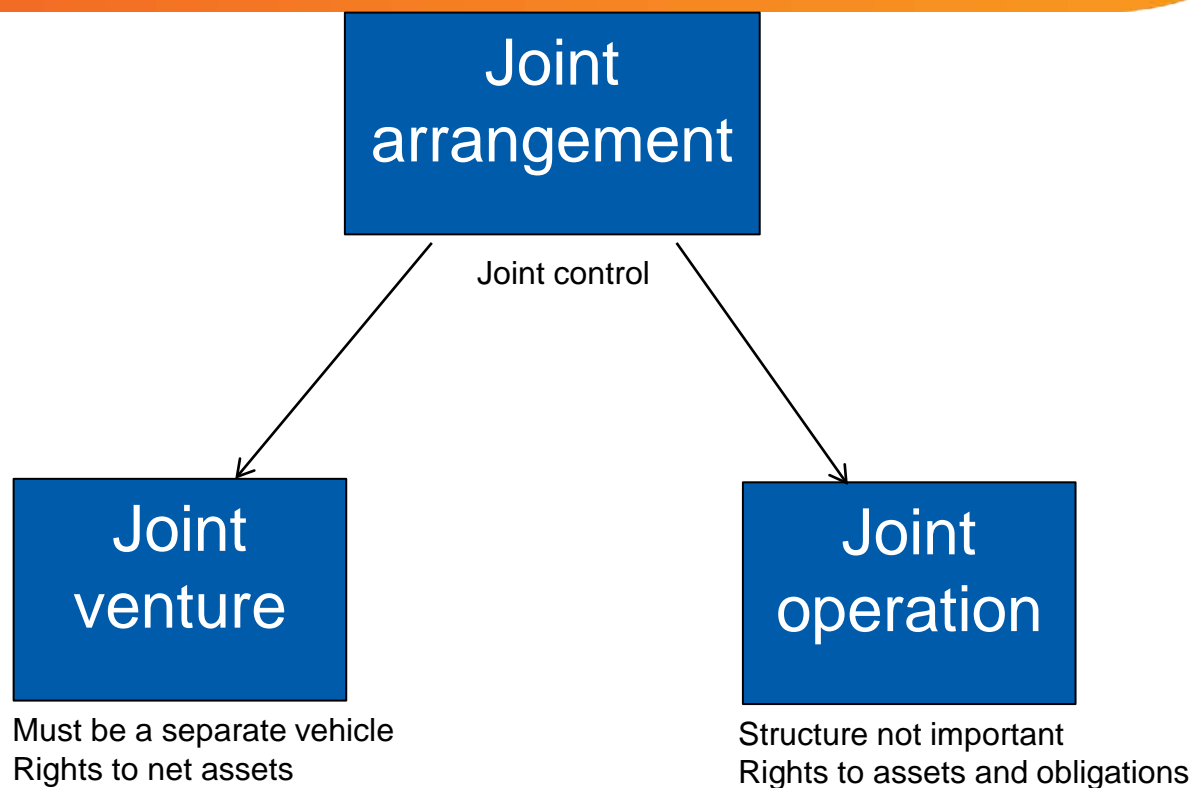   – Insert in ED? Where?

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ED X, Consolidated Financial Statements

- Page by page review undertaken last meeting
- Further issues discussed above
- Any other issues?
- Next review: June 2013

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Issues: Joint Arrangements

- Issue 2.1: Types of Joint Arrangements
- Issue 2.2: Removal of Accounting Option
- Issue 2.3: Examples

Issue 2.1: Types of Joint Arrangements

Joint arrangement

Joint control

Joint venture

Joint operation

Must be a separate vehicle
Rights to net assets

Structure not important
Rights to assets and obligations

Issue 2.2: Removal of Accounting Option

- Joint venture → equity account
- Joint operation → share of jointly held assets/liabilities
- Proportionate consolidation not permitted
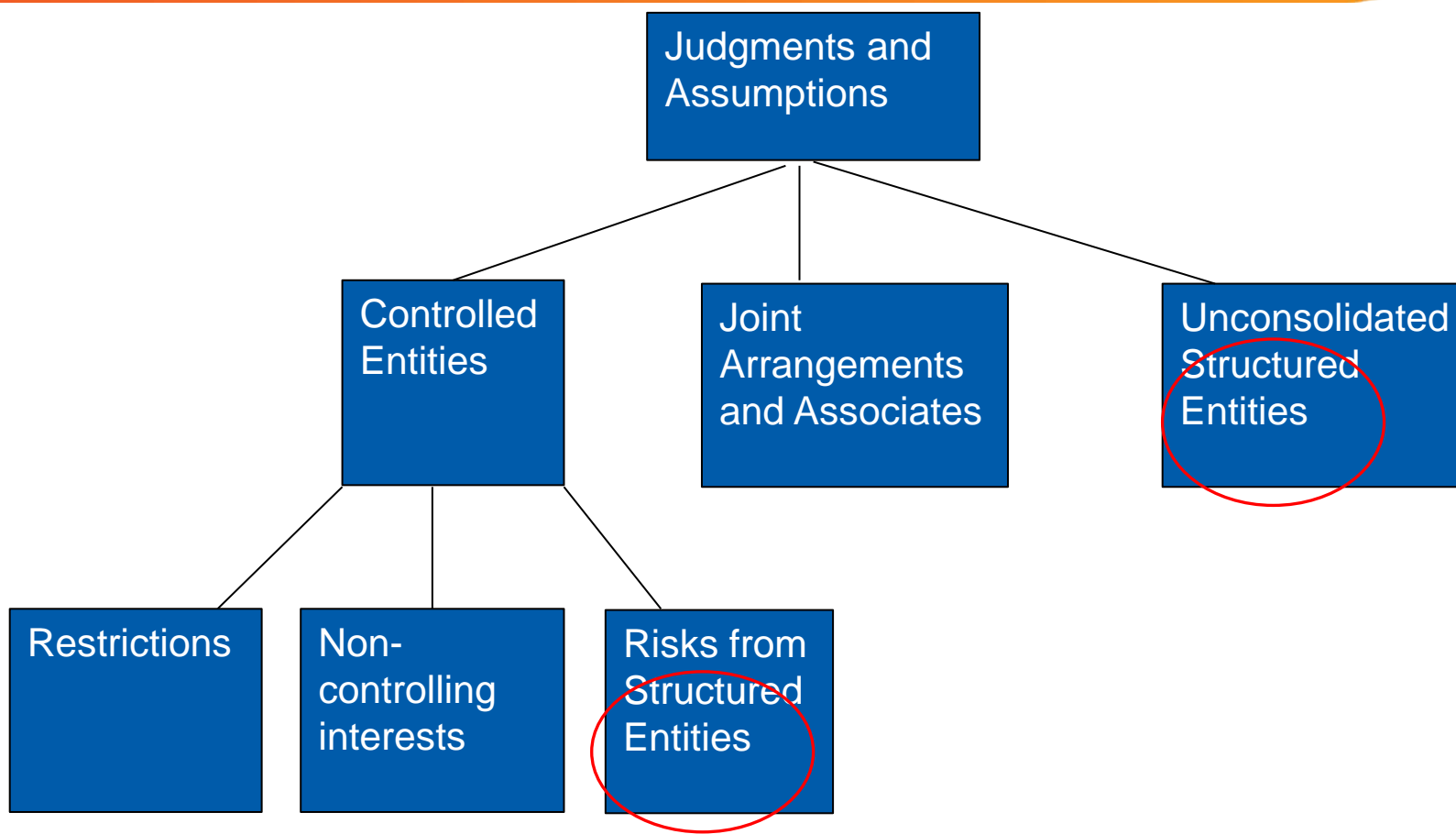
  (see Table 5 in item 10.1)

Issue 2.3: Examples

- Confirm changes to examples 1 and 2
  - Example 1 Construction services (Private sector/public sector)
  - Example 2 Service operated jointly
- Any further examples required?

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ED X, Joint Arrangements

- Issues discussed above
- Page by page review
- Next review: March 2013, then June 2013

Disclosure of Interests in Other Entities

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Issues: Disclosure of Interests in Other Entities

- Issue 3.1: Significant Judgments and Assumptions
- Issue 3.2: Definition of Structured Entity
- Issue 3.3: Consolidated Structured Entities
- Issue 3.4: Unconsolidated Structured Entities
- Issue 3.5: Controlled Entities with Material Non-Controlling Interests
- Issue 3.6: Joint Arrangements and Associates

Issue 3.1: Significant Judgments and Assumptions

- Confirm disclosures:
  - Additional disclosure proposed in paragraph 9(a)
    - Control which is not evidenced by the holding of equity or debt instruments

Issue 3.2: Definition of Structured Entity

- Focuses on entities where "Voting or similar rights are not the dominant factor in assessing control"

- Does the concept still have merit in the public sector?

- How to narrow the definition?

  – Limit disclosures to sponsored entities?

Issue 3.3: Consolidated Structured Entities

- Disclosures required:
  - Arrangements to provide financial support/exposure to loss (para 14)
  - Support provided, despite no obligation (para 15)
  - Cases where provision of support led to control (para 16)
  - Intentions to provide support (para 17)
- Do these disclosures need to be modified, (in particular para 17)?

Issue 3.4: Unconsolidated Structured Entities

- Feedback sought on disclosures (paras 26 to 31 and AG21 to AG26)

- Do paras 24(b) and 31 need to be modified?

    – Nature and extent of interests (para 24(a))

    – Risks associated with these interests (para 24(b))

    – Intentions to provide support (para 31)

Issue 3.5: Controlled Entities with Material Non-Controlling Interests

- Disclosure of cash flows attributable to controlling vs non-controlling interest required (para 12)
- Confirm disclosures

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Issue 3.6: Joint Arrangements and Associates

- Disclose nature, extent and financial effects in interests in joint arrangements associates (paras 21 and 22)
- Disclose nature of risks and changes in risks (para 23)
- Confirm disclosures

ED X, Disclosure of Interests in Other Entities

- Issues discussed above
- Page by page review
- Next review: March 2013, then June 2013

Update on IASB Investment Entities Project

- Amendments issued October 2012
- Investment entities do not consolidate (most) subsidiaries
- Non-investment entity parents still consolidate subsidiaries
- Conceptual justification:
  - Purpose of investment/unique business model
  - FV is the most useful information
- Investment entities unlikely to be applying IPSASs

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