New development summary

NDS 2013-01
February 2013
IFRS 10 *Consolidated Financial Statements*—Quick reference guides

Summary

This new development summary provides three "quick reference guides" aimed to assist users with the decision process when applying the requirements within IFRS10 *Consolidated Financial Statements* and to provide a high-level summary of the key assessments required to apply the new control model.

The three guides assist in the following areas:
- applying the control principle,
- assessment of principal versus agent, and
- transition guidance.

Background

In May 2011, the International Accounting Standards Board introduced IFRS 10 *Consolidated Financial Statements* which establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 provides a revised framework to assess when one entity controls another by redefining "control" and providing extensive guidance on how to apply the control principle to determine the scope of consolidation. IFRS 10 applies both to traditional entities and to special purpose (or structured) entities and replaces the corresponding requirements of both IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation—Special Purpose Entities*. The standard is effective for annual periods beginning on or after January 1, 2013.

IFRS 10 is unlikely to affect the scope of consolidation in simple situations involving control through ownership of a majority of the voting rights in an investee. However, more complex and borderline control assessments will need to be reassessed and some will need to be revised. But, the requirements of the mechanics of consolidation (uniform accounting policies, eliminations, etc.), accounting for non-controlling interests and accounting for the loss of control remain the same.

Other resources

In August 2012, the Grant Thornton International IFRS team published *Under Control? A Practical Guide to IFRS 10 Consolidated Financial Statements*. The guide is a useful tool to assist management in transitioning to and applying the principles within IFRS 10 *Consolidated Financial Statements*. Please refer to this publication for more information on understanding IFRS 10's requirements and how they differ from those of IAS 27 and SIC-12, identifying situations in which IFRS 10 is more likely affect control assessments and identifying and addressing key practical application issues and judgements.

While we hope you will find these guides useful, they are not a substitute for a careful reading of the standard. For further assistance, please reach out to your local Grant Thornton adviser or search our directory here.

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FIGURE 1: QUICK REFERENCE—APPLYING THE CONTROL PRINCIPLE (IFRS 10)

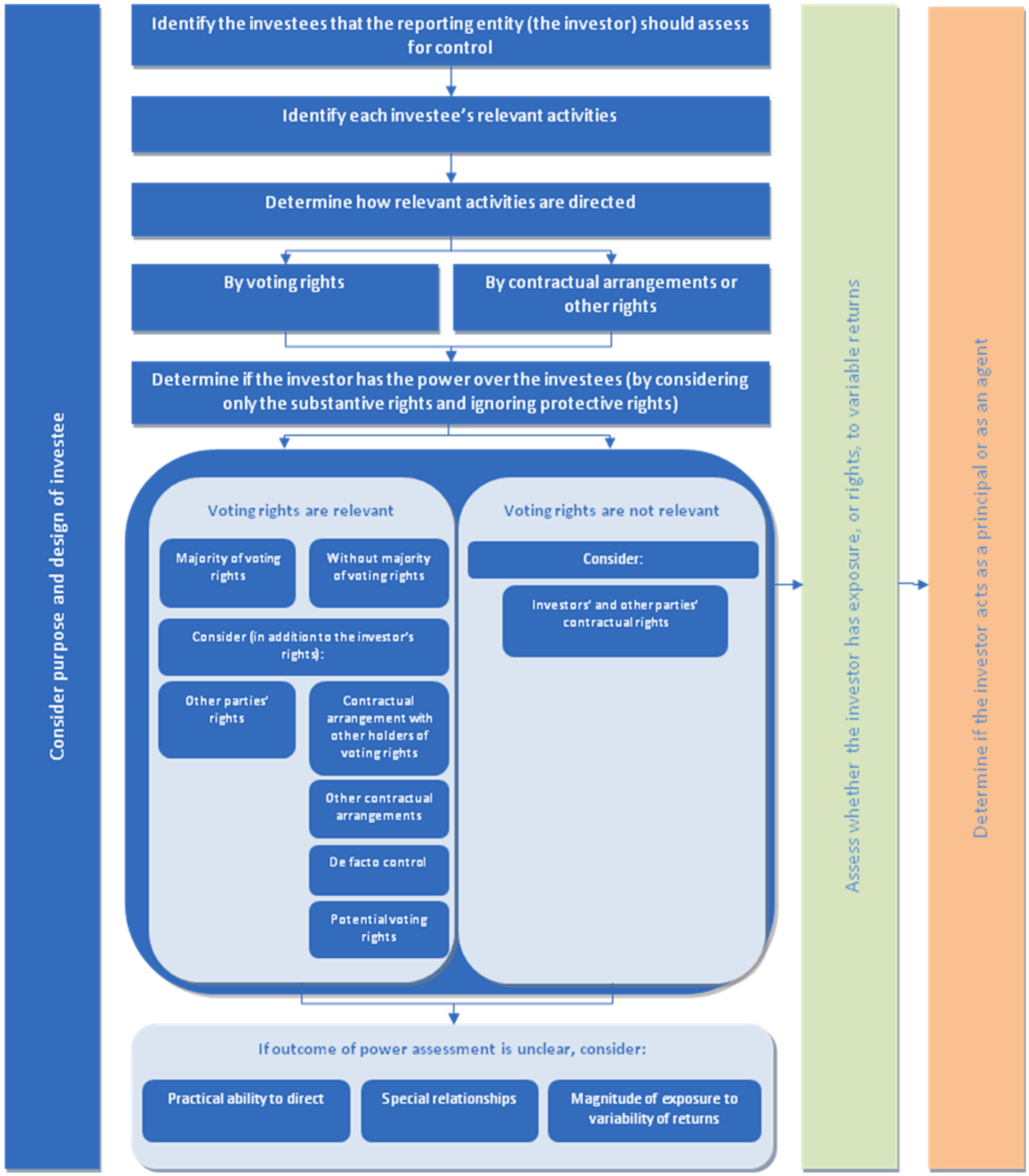


FIGURE 2: QUICK REFERENCE—PRINCIPAL VERSUS AGENT (IFRS 10)

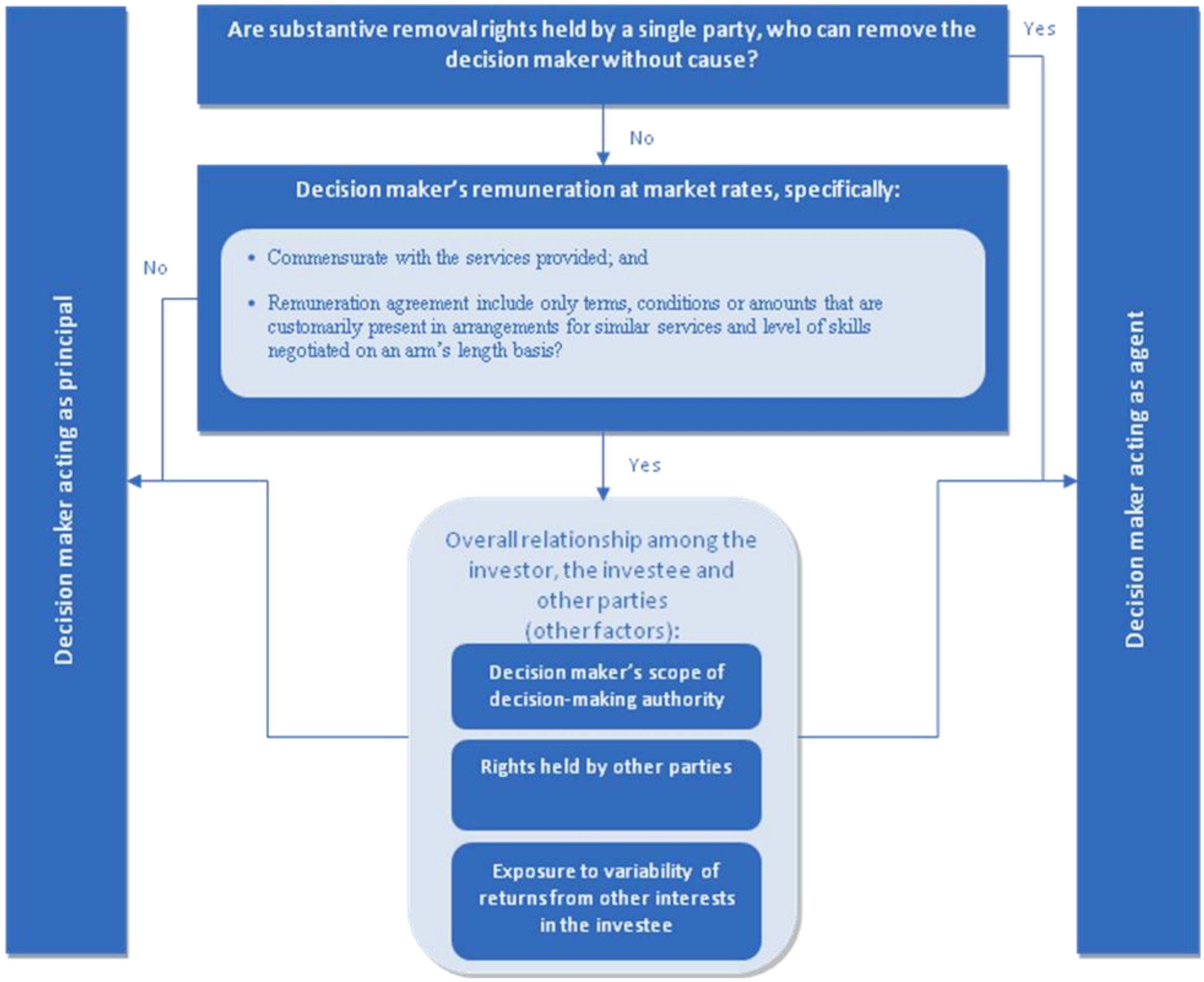
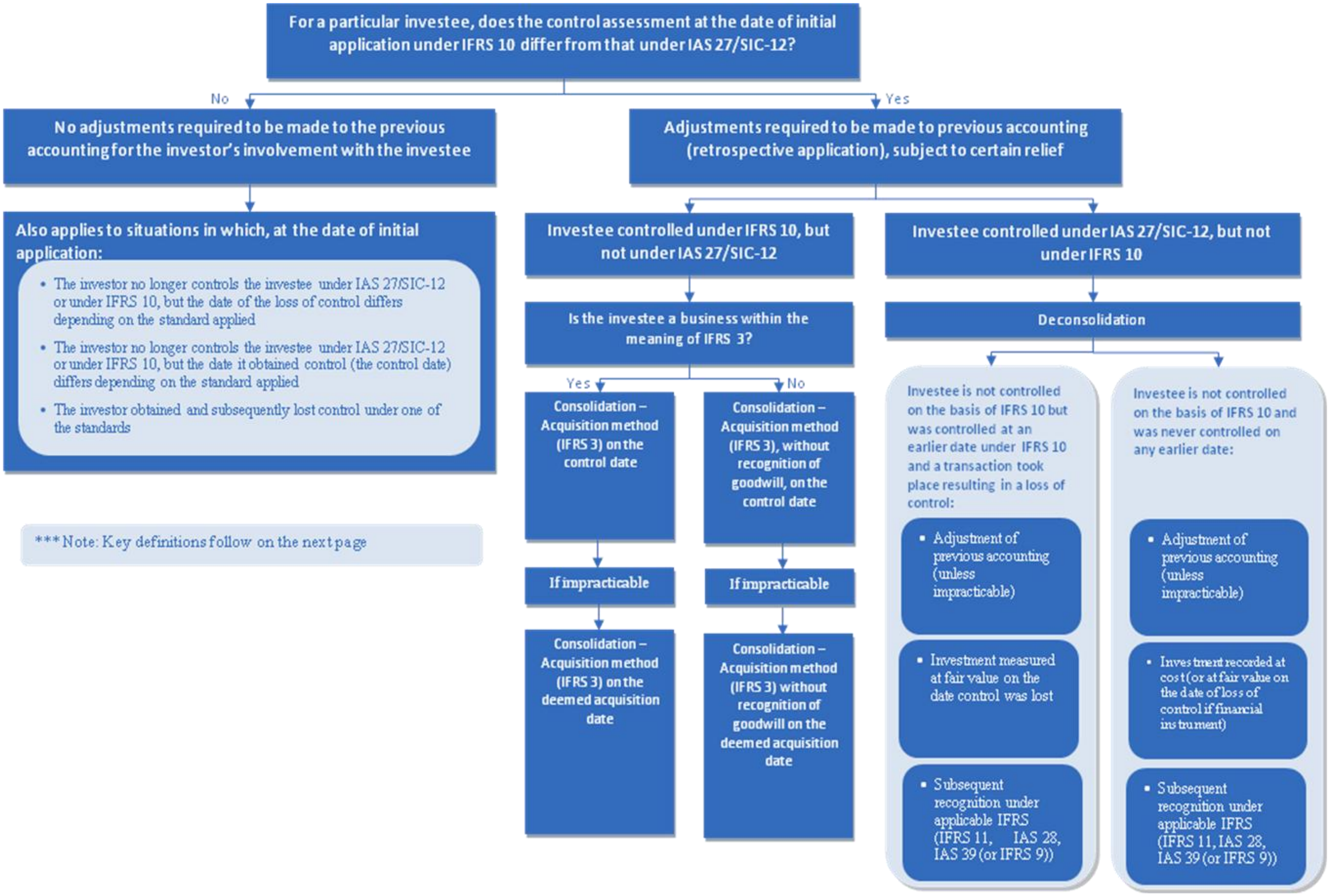


FIGURE 3: QUICK REFERENCE—IFRS 10 TRANSITION GUIDANCE



Definition of date of initial application

The beginning of the annual reporting period for which this standard is applied for the first time.

Calendar year-end: January 1, 2013

Definition of impracticable

Definition within the meaning of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

(see complete definition below).

Definition of deemed acquisition date

The beginning of the earliest period for which application of paragraphs C4(a) and (b) is practicable.

"Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so. For a particular prior period, it is impracticable to apply a change in an accounting policy retrospectively or to make a retrospective restatement to correct an error if:

a the effects of the retrospective application or retrospective restatement are not determinable;

b the retrospective application or retrospective restatement requires assumptions about what management's intent would have been in that period; or

c the retrospective application or retrospective restatement requires significant estimates of amounts and it is impossible to distinguish objectively information about those estimates that:

   i. provides evidence of circumstances that existed on the date(s) as at which those amounts are to be recognised, measured or disclosed; and
   ii. would have been available when the financial statements for that prior period were authorised for issue from other information." (IAS 8.5)