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International Accounting Standards Board
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Comments on the Request for Information *Post-implementation Review of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities*

To the IASB Board Members:

The Japanese Institute of Certified Public Accountants ("we" and "our") appreciates the continued efforts of the International Accounting Standards Board on this project, and welcomes the opportunity to comment on the Request for Information *Post-implementation Review of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities* ("RFI").

It has been 10 years since IFRS 10 was finalised and issued. Back then, inconsistent application of the concept of control was seen between IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation–Special Purpose Entities*. Further, the application scope of the standards or interpretations was not necessarily clear, which was criticised for allowing securitisation vehicles to be scoped out from consolidation. The single control model established under IFRS 10 has not only solved the issue of inconsistent application of the control concept in practice, but also played a significant role in response to the global financial crisis.

We believe the significant objective of IFRS 10 to establish a single control model has been fairly achieved. It is considered that the previous SIC-12, which placed greater emphasis on the concept of holding the majority of risks and rewards (SIC 12.10), had served like a quantitative brightline and created opportunities to manipulate accounting outcomes as intended. Now under the new single control model based on the element of power and return, we think that inconsistent application of the control model between IAS 27 and SIC-12 has been solved with less chances for manipulations to occur.

At the same time, it appears a wide range of judgements are now required when implementing the single control model, causing diversity in practice in certain cases. We think practices could be divided particularly in the following areas depending on judgements made.

(1) Identifying relevant activities

When an investee's activities are preliminary determined under contractual arrangements for structured entities, it may become difficult to identify relevant activities.

(2) Proving or disproving de facto agency relationship

Examples of other parties that might act as de facto agents are provided in paragraph B75 of IFRS 10; however, those are described merely as a possibility. Further, paragraph B73 of IFRS 10 stipulates that judgement is required in determining whether other parties are acting as de facto agents, although no detailed application guidance or illustrative examples are provided in making such judgement. We believe these are contributing to the diversity in practice.

(3) Accounting treatment for a corporate wrapper

When selling assets, such as real estate, an entity may establish a subsidiary that holds the asset (i.e. corporate wrapper) and sell the entity's equity interest to a customer, instead of accounting for the transaction as an asset sale to the customer. When accounting for a transaction for a corporate wrapper, IFRS standards do not specify whether it should be accounted for as individual assets by complying with related standards, including IAS 16 *Property, Plant and Equipment*, IAS 38 *Intangible Assets*, IFRS 15 *Revenue from Contracts with Customers*, and IFRS 16 *Leases*, or as a loss of control of a subsidiary by following IFRS 10. Although the IFRS Interpretation Committee issued an agenda decision regarding sales of a corporate wrapper, it covers very limited transactions. Also, given that agenda decisions do not have the status of IFRS standards, we highly recommend that the accounting for a corporate wrapper should be clarified to make it more generalised through this Post-implementation Review of IFRS 10. A wide range of practices have already been reported, which is concerning because more diverse practices could be seen especially for transaction patterns not covered in the agenda decision.

Please find our comments to the questions raised in the RFI, in the following pages.

Question 1—Your background
To understand whether groups of stakeholders share similar views, the Board would like to know: (a) your principal role in relation to financial reporting. Are you a user or a preparer of financial statements, an auditor, a regulator, a standard-setter or an academic? Do you represent a professional accounting body? If you are a user of financial statements, what kind of user are you, for example, are you a buy-side analyst, sell-side analyst, credit rating analyst, creditor or lender, or asset or portfolio manager? (b) your principal jurisdiction and industry. For example, if you are a user of financial statements, which regions do you follow or invest in? Please state whether your responses to questions 2–10 are unrelated to your principal jurisdiction or industry.

Comment:

(a) Professional accountants

(b) Japan

Question 2(a)
In your experience: (i) 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? (ii) 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?

Comment:

- **Challenging situations in identifying relevant activities of an investee**

  When an investee's activities are preliminary determined under contractual arrangements, it may become difficult to identify relevant activities in certain cases.

  In many cases, structured entities have most of their policies for acquisition, selection, funding, and disposal of assets already been determined before establishment. There are even cases where structured entities are only involved in the management of financial assets once established (e.g. in extreme cases, some special purpose entities are set up only to hold government and corporate bonds to maturity). In such cases, it could be challenging for entities to determine whether or not relevant activities exist and what kind of activities should be considered as relevant activities.

  Highly skilled judgement is required for the identification of relevant activities for investment vehicles that are structured to simply pursue originally designed operations, which could be diverse, causing inconsistent outcome.

- **Frequency of challenging situations in identifying relevant activities**

  We find such challenging situations once in a while.

- **Other factors relevant to identifying relevant activities**

  In assessing the impact of an activity to determine whether or not it represents an activity that significantly affects the investee's return, comprehensive judgement is required in practice by taking into account asset risks, effects on asset management returns, and the overall scheme. However, no application examples or guidance are provided in IFRS 10, describing how such judgement should be made.

  We find the application examples from 13 to 16 in IFRS 10, illustrating how to determine the link between power and returns, are quite useful in making practical judgements. Likewise, if similar guidance is provided for the identification of an investee's relevant activities, it should be able to mitigate the possibility of having diverse practices.

Question 2(b)
In your experience: (i) to what extent does applying paragraphs B26–B33 of IFRS 10 enable an investor to determine if rights are protective rights? (ii) 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?

Comment:

Although judgement is required, we think it is fairly manageable.

Question 2(c)
In your experience: (i) to what extent does applying paragraphs B41–B46 of IFRS 10 to 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? (ii) how frequently does the situation in which an investor needs to make the

assessment described in question 2(c)(i) arise?
(iii) is the cost of obtaining the information required to make the assessment significant?

Comment:

Although judgement is required, we think there is little need to amend the standard.

The application may not be easy when historical data, such as the attendance record of general shareholders' meeting and the exercise ratio of voting rights, cannot be utilised due to a significant change in shareholder composition or other reasons. Further, right after an acquisition, little information is available on historical voting patterns of the acquiree's shareholders, which could also make it hard to make an appropriate judgement. That said, it is doubtful whether amending the standard would be the best solution to address these issues.

Question 3(a)
In your experience: (i) 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? (ii) are there situations in which it is challenging to identify an agency relationship? If yes, please describe the challenges that arise in these situations. (iii) how frequently do these situations arise?

Comment:

In determining whether a decision maker is a principal or an agent, not only the application guidance from paragraphs B62 to B72 but also application examples from 13 to 16 are provided in IFRS 10. We believe such application guidance and examples provide a very useful guideline in making practical judgement and also play a significant role in mitigating diverse practices. If, however, the IASB happens to come across the diversity issue in certain areas through the process of the Post-implementation Review, then we suggest additional application guidance and examples be provided in IFRS 10.

Question 3(b)
In your experience: (i) 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)? (ii) how frequently does the situation in which an investor needs to make the assessment described in question 3(b)(i) arise? (iii) please describe the situations that give rise to such a need.

Comment:

- **To what extent does applying paragraphs B73-B75 of IFRS 10 enable an investor to determine whether another party is a de facto agent and whether control exists under such relationship?**

We do not think paragraphs B73-B75 are sufficient enough as guidance in determining a de facto agency relationship. Paragraph B75 provides examples of other parties that might act as de facto agents; however, they are just one of the possibilities. Further, although paragraph B73 insists the determination of de facto agency relationships requires judgement, there is no detailed application guidance or examples in making such judgement. We are afraid paragraphs B73-B75 could have contributed to the increasing inconsistency in practice.

- **Frequency of challenging situations in assessing whether another party is a de facto agent**

We find such challenging situations once in a while.

- **Challenging situations in assessing whether another party is a de facto agent**

Associates, joint ventures, and entities under common control could become de facto agents; however, no detailed practical application guidance or examples are provided, explaining cases where they should or should not be determined as de facto agents. This, we think, is also causing diversity in practice. It would be useful to provide application guidance or examples when a party is an associate, joint venture, or an entity under common control, illustrating both cases where there is and is not an agency relationship.

Question 4(a)
In your experience: (i) to what extent does applying the definition (paragraph 27 of IFRS 10) and the description of the typical characteristics of an investment entity (paragraph 28 of IFRS 10) lead to consistent outcomes? If you have found that inconsistent outcomes arise,

please describe these outcomes and explain the situations in which they arise.
(ii) 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? For example, do the definition and the description of typical characteristics include entities in (or exclude entities from) the category of investment entities that in your view should be excluded (or included)? Please provide the reasons for your answer.

Comment:

We are not aware of any significant issues regarding the determination of an investment entity. Accordingly, we recommend the IASB should prioritise other issues in this Post-implementation Review.

However, as significant differences remain between IFRS and US GAAP for the accounting of investment entities, we recommend that the IASB gather information from financial statements users regarding their views on which standard provides more useful information, either IFRS or US GAAP. Particularly, the accounting treatment is quite different between IFRS and US GAAP when the ultimate parent is not an investment entity. Given the importance of global comparability in financial reporting, we highly recommend such differences should be resolved over the mid- to long-term by holding diligent and continuous discussions with the Accounting Standards Advisory Forum (ASAF) and other stakeholders.

Question 4(b)
In your experience: (i) 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. (ii) 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?

Comment:

Based on our experience, we are not aware of any significant issues regarding the determination of an investment entity. Accordingly, we recommend the IASB should prioritise other issues in this Post-implementation Review.

Question 5(a)
In your experience: (i) how frequently do transactions, events or circumstances arise that: (a) alter the relationship between an investor and an investee (for example, a change from being a parent to being a joint operator); and (b) are not addressed in IFRS Standards? (ii) how do entities account for these transactions, events or circumstances that alter the relationship between an investor and an investee? (iii) 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.

Comment:

(i) (ii) Altering the relationship between an investor and an investee

No significant issues are identified.

(iii) Transactions that result in a loss of control

- **Corporate wrapper**

When selling assets, such as real estate, an entity may establish a subsidiary that holds the asset (i.e. corporate wrapper) and sell the entity's equity interest to a customer, instead of accounting for the transaction as an asset sale to the customer. When accounting for a transaction for a corporate wrapper, IFRS standards do not specify whether it should be accounted for as individual assets by complying with related standards, including IAS 16, IAS 38, IFRS 15 and IFRS 16, or as a loss of control of a subsidiary by following IFRS 10. Although the IFRS Interpretation Committee issued an agenda decision regarding sales of a corporate wrapper, it covers very limited transactions. Also, given that agenda decisions do not have the status of IFRS standards, we highly recommend that the accounting for a corporate wrapper should be clarified to make it more generalised through this Post-implementation Review of IFRS 10. A wide range of practices have already been reported, which is concerning because more diverse practices could be seen especially for transaction patterns not covered in the agenda decision. When the Board decided not to add a narrow-scope amendment for the accounting of a corporate wrapper, the reason behind was that it was supposed to be revisited subsequently as part of the Post-implementation Review of IFRS 10. Accordingly, we suggest considerable deliberation should be made on this matter through this Post-implementation Review.

In addition to the topics discussed at the IFRS Interpretation Committee, including the timing of derecognition and presentation of gain or loss on disposal, we identified the following three areas where accounting differences could arise between entities applying IFRS 15 and those applying IFRS 10 when accounting for transactions involving a corporate wrapper.

(1) Difference in timing of recognition of gain or loss due to different evaluation methods applied to sales with variable consideration

When an entity is sold for contingent consideration and IFRS 15 is applied to the sale transaction, the transaction price includes an amount only to the extent that is highly probable that a significant reversal will not occur. As such, the variable consideration constraint could also apply to the recognition of gain or loss on disposal. If IFRS 10, instead of IFRS 15, is applied to the same transaction, no such constraint would be applied to any gain or loss recognised on disposal (i.e. contingent consideration is measured at fair value in accordance with IFRS 9 *Financial Instruments*).

(2) Recognition of unrealised gain when part of the asset is retained on disposal

When an entity sells an asset but retains control of ownership for part of the asset, and when IAS 16 or other applicable standards are applied to account for the transaction in the same way as for a sale of individual asset, the retained portion of the asset is measured at its carrying amount (unless impairment has occurred), on the basis that only part of the asset is considered to be derecognised in the transaction. In other words, no fair value measurement is conducted and no gain or loss is recognised for revaluation purposes. When, on the other hand, IFRS 10 is applied to the entity as a whole, then gain or loss is recognised for the retained portion of equity interest through fair value measurement. This means that, by legally establishing a subsidiary and selling an asset through the sale of the subsidiary, while retaining part of the equity interest in the subsidiary, the unrealised gain for the retained portion can be recognised as a gain. Therefore, careful consideration is required for the accounting treatment.

(3) Accounting treatment for transfer contracts

When equity interest of an entity is transferred under a forward contract, resulting in a loss of control, and when 'the term of the forward contract exceeds a reasonable period normally necessary to obtain any required approvals and to complete the transactions,' it is not exempted from the application scope set forth in paragraph 2.1(f) of IFRS 9, the accounting standard for financial instruments. Instead, it is accounted for as derivatives in accordance with IFRS 9. On the other hand, when a forward contract is for the sale of individual assets, which are non-financial assets, it is not accounted for as derivatives because such contract does not meet the definition of a derivative.

- ***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)* (issued in September 2014) - Transactions in which parent loses control of a subsidiary that does not constitute a business**

Regarding transactions in which control is lost on a subsidiary that does not constitute a business as described in '*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)*,' issued in September 2014 (hereinafter the 'September 2014 Amendments'), the issue of whether or not to require remeasurement of the remaining part of equity interest arises, which we think is similar to the issue discussed above at '(2) Recognition of unrealised gain when part of the asset is retained on disposal.' Therefore, this issue should also be reconsidered.

According to paragraph B99A and Example 17 of IFRS 10, which were added as a result of the September 2014 Amendments, when a parent loses control of a subsidiary that does not constitute a business, the gain or loss arising from the fair value remeasurement of the investment retained can be recognised 'only to the extent of the unrelated investors' interests.' According to Example 17 of IFRS 10, 44% of the CU60 gain resulting from the fair value remeasurement is eliminated, consisting of 30% which is the investment retained by the parent and 14% which the parent's interest in the existing associate (20%×70%=14%). Meanwhile, 56% (70%×80%=56%) of the CU60 gain can be recognised by the parent as it is attributable to the unrelated investors' interests.

In certain cases, a sale of a subsidiary that does not constitute a business and a sale of an asset held by a subsidiary could substantially represent the same transaction. Some Board members have insisted they cannot find any justification for the recognition of any unrealised gain on the retained portion by legally establishing a subsidiary and selling an asset through the sale of the subsidiary (paragraph DO10 of IFRS 10).

Question 5(b)
In your experience: (i) 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? Does the investor recognise a non-controlling interest for equity not attributable to the parent? (ii) how frequently do these transactions occur?

Comment:

(i)

- **The accounting for transactions in which an investor acquires control of a subsidiary that does not constitute a business**

According to paragraph 2(b) of IFRS 3, the transactions are basically accounted for by allocating the cost to individual identifiable assets and liabilities on the basis of their relative fair values at the date of the purchase.

However, as described in the agenda decision 'Acquisition of a Group of Assets' issued in November 2017 (E3 of IFRS 10), when there is a difference between the transaction price for the group and the sum of the individual fair values of the identifiable assets and liabilities, and the group of assets includes identifiable assets and liabilities initially measured both at cost and at an amount other than cost, we are afraid inconsistent approaches could be applied in practice.

- **Recognition of non-controlling interests in such transactions**

We understand non-controlling interests should be recognised only when a parent individually controls a subsidiary that does not constitute a business. At the same time, we acknowledge there are some disagreements in recognising non-controlling interests, which could be causing inconsistency in practice.

(ii)

- **Frequency of occurrence of these transactions**

So far, it appears the frequency has not been so high, given that transactions have been fairly limited to asset-owning businesses (e.g. real estate, interests in natural resources). However, given that '*Definition of a Business (Amendments to IFRS 3)*' effective in 2020 is applicable, acquisitions of a subsidiary that does not constitute a business may increase going forward. That said, it is critical that the Board should have a forward-looking mind by not only taking into account the actual results from respondents, but also envisaging the increasing importance of this issue in the future, when considering possible impacts on practice.

We believe additional guidance is required for the acquisition of a group of assets that does not meet the definition of a business in IFRS 3. We recommend the future guidance should clearly illustrate both cases, when it is and when it is not structured through a legal vehicle (e.g. an entity). For example, consideration should be given on the difference between an acquisition of an entity that owns real estate but does not meet the definition of a business, and an acquisition of an asset, namely real estate. (Please see our comment to Question 5(a), discussing about the corporate wrapper issue.)

Question 6
In your experience: (a) 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. (b) how do entities that apply IFRS Standards account for such collaborative arrangements? Is the accounting a faithful representation of the arrangement and why?

Comment:

(a) How widespread are collaborative arrangements that do not meet the IFRS 11 definition of 'joint arrangement?'

We acknowledge there are a certain number of collaborative arrangements that do not meet the definition of 'joint arrangement,' including businesses engaged in real estate, extractive activities, and the holding of interests in natural resources.

Further, it is our observation that some collaborative arrangements are structured through a separate legal vehicle while others not. Even when a separate vehicle is used, it is not clear in many cases as to how it is legally separated from investors, especially when it is structured based on partnership or association arrangements.

Also, the legal nature of vehicles could be diverse depending on their scheme.

Particularly, when interests are acquired in the energy industry, it appears more entities are directly acquiring assets instead of using a separate vehicle.

(b) The accounting treatment for collaborative arrangements that do not meet the IFRS 11 definition of 'joint arrangement'

When a collaborative arrangement that does not meet the definition of 'joint arrangement' is structured through a separate vehicle, and when it is legally separated, the equity interest to which an entity is entitled through the arrangement is accounted for using the equity method if an entity has significant influence over the arrangement. If the entity does not have significant influence over the arrangement, it is accounted for in accordance with IFRS 9.

However, when an arrangement is not structured through a separate vehicle or when it is not legally separated even though structured through a separate vehicle, the current IFRS standards do not seem to provide a clear-cut accounting treatment requirement. In practice, we see some cases where entities are applying paragraph 23 of IFRS 11 by analogy, which stipulates the accounting treatment for a party that participates in, but does not have joint control of, a joint operation, for its interest in the arrangement.

Question 7
In your experience: (a) how frequently does a party to a joint arrangement need to consider other facts and circumstances to determine the classification of the joint arrangement after having considered the legal form and the contractual arrangement? (b) to what extent does applying paragraphs B29–B32 of IFRS 11 enable an investor to determine the classification of a joint arrangement based on 'other facts and circumstances'? Are there other factors that may be relevant to the classification that are not included in paragraphs B29–B32 of IFRS 11?

Comment:

(a) How frequently does a party to a joint arrangement have to consider 'other facts and circumstances' to determine the classification of the joint arrangement?

It appears energy industry (i.e. oil and gas industry) and chemical industry need to consider 'other facts and circumstances' quite often. As these industries have to invest a significant amount of money in the construction of plants, parties of the arrangement generally have rights to purchase most of the output provided from these plants.

(b) Does applying paragraphs B29-B32 of IFRS 11 enable to determine the classification based on 'other facts and circumstances?'

The above-mentioned case represents the situation described in paragraph B31 of IFRS 11, which states that 'the parties have rights to substantially all the economic benefits of the assets of the arrangement.' Accordingly, determination based on 'other facts and circumstances' does not seem to be too challenging for investors. For example, when constructing an LNG plant, long-term sales contracts are usually signed by each party. In such cases, it is fairly easy to determine that paragraph B31 of IFRS 11 is applicable.

That said, there are cases where classification is not easy when the contracted purchase period is quite short.

Question 8
In your experience: (a) 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? (b) 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.

Comment:

According to paragraph 8.4 of the Due Process Handbook, explanatory material in agenda decisions derives its authority from the IFRS standards themselves. However, in case of IFRS 11, standards do not always seem to explain themselves without taking into account agenda decisions and IFRIC meeting agenda papers on IFRS 11. That being said, we recommend all final agenda decisions made on IFRS 11 should be reflected as appropriate in the standard as well as the Basis for Conclusions.

As an example, we would like to comment on the following agenda decisions for a follow up.

(1) March 2019 agenda decision 'IFRS 11 *Joint Arrangements*—Liabilities in relation to a joint operator's interest in a joint operation' (refer to page 30 of the RFI)

- According to the agenda decision, the liabilities a joint operator recognises include those for which it has primary responsibility. Therefore, it is concluded in the agenda decision that the lead operator, which enters into a lease arrangement, is the one that shall recognise the entire lease liability. As this issue is not necessarily explained in a clear-cut manner in paragraph 20(b) of IFRS 11, which requires the recognition of a joint operator's liability, we recommend that the decision be reflected both in IFRS 11 and in the Basis for Conclusions.

- A conclusion has reached only on the recognition of a joint operator's liability in this agenda decision. That said, a decision also needs to be made whether or not to account for leased assets recognised by the lead operator as a sublease to other joint operators, even though no sublease arrangement exists. As this issue is covered in the IFRIC meeting agenda paper, further consideration is recommended whether or not to reflect it in IFRS 11 and the Basis for Conclusions.

- Moreover, given that the agenda decision discusses about cases where the lead operator enters into a lease arrangement, we recommend other cases should also be considered, such as when an item is simply purchased, in order to determine the application scope of the decision.

(2) March 2015 agenda decision 'IFRS 11 *Joint Arrangements*–Classification of joint arrangements: the assessment of 'other facts and circumstances''

- This agenda decision emphasises that a joint arrangement cannot be classified as a joint operation unless it has both rights and obligations (i.e. cannot be one-sided). As this is not explicitly specified in IFRS 11, we recommend the term 'both' should be added to related requirements.

(3) March 2015 agenda decision 'IFRS 11 *Joint Arrangements*–Accounting by the joint operator: the accounting treatment when the joint operator's share of output purchased differs from its share of ownership interest in the joint operation'

- We do not believe this agenda decision is a sufficient guidance of IFRS 11. As it is already acknowledged that a wide range of research and analysis are required, we recommend the issue be reconsidered through the RFI.

Question 9
In your experience: (a) to what extent do the IFRS 12 disclosure requirements assist an entity to meet the objective of IFRS 12, especially the new requirements introduced by IFRS 12 (for example the requirements for summarised information for each material joint venture or associate)? (b) do the IFRS 12 disclosure requirements help an entity determine the level of detail necessary to satisfy the objective of IFRS 12 so that useful information is not obscured by either the inclusion of a large amount of detail or the aggregation of items that have different characteristics? (c) what additional information that is not required by IFRS 12, if any, would be useful to meet the objective of IFRS 12? If there is such information, why and how would it be used? Please provide suggestions on how such information could be disclosed. (d) does IFRS 12 require information to be provided that is not useful to meet the objective of IFRS 12? If yes, please specify the information that you consider unnecessary, why it is unnecessary and what requirements in IFRS 12 give rise to the provision of this information.

Comment:

IFRS 12 disclosure requirements place high value on the objective of disclosing information. But because disclosure objectives and principles provided under IFRS 12 are too abstract, it is hard for prepares to determine the level of detail necessary to satisfy the disclosure requirements. Consequently, disclosures tend to be fairly limited both in contents and volume. It is also challenging for auditors to encourage prepares to enhance their disclosures when disclosure objectives and principles are too abstract.

When compared to the disclosure objectives of IFRS 13 *Fair Value Measurement* and IAS 19 *Employee Benefits* currently discussed under the project 'Disclosure Initiative: Targeted Standards-level Review of Disclosures,' the IFRS 12 disclosure objectives, such as risks associated with interests, seem to be too abstract. If the Board is seeking to achieve a certain level of disclosures, we recommend more detailed disclosure objectives should be set forth within IFRS 12 in order to pursue the goal of enhancing disclosures.

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.

Comment:

(1) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

When *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)* was issued in September 2014, no effective date was specified with early adoption permitted. Clarification has not been made since then. At that time, a research project for the equity method of accounting was supposed to be initiated before long. That said, we recommend the Board reconsider the issue in the light of revisiting the current status of the work plan.

(2) The section where the accounting for transactions in which an investor acquires control of a subsidiary that does not constitute a business is described

We suggest changing the section where the accounting for transactions in which an investor acquires control of a subsidiary that does not constitute a business is described. Currently, the requirement is specified in the 'Scope' section of IFRS 3, which is generally not a suitable section for explaining accounting treatments. We recommend moving the requirement to the section where accounting treatments are stipulated, especially because descriptions may increase going forward when enhanced guidance is provided.

Yours faithfully,

Takako Fujimoto
Executive Board Member – Business Accounting Standards and Practice/Corporate Disclosure
The Japanese Institute of Certified Public Accountants