INTERNATIONAL FINANCIAL REPORTING STANDARD 10 consolidated financial statements

Basis for Conclusions

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28); incorporates *Effective Date of Amendments to IFRS 10 and IAS 28*

Available in:

- 2026, 2024, 2023, 2022, 2021, 2020, 2019, 2018, 2017 and 2016 Editions – Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* as issued by the IASB in September 2014; incorporates *Effective Date of Amendments to IFRS 10 and IAS 28*; and
- 2015 Edition – Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* as issued by the IASB in September 2014.

Paragraphs 25–26 are amended. Deleted text is struck through and new text is underlined.

Loss of control

25 If a parent loses control of a subsidiary, the parent:

(a) derecognises the assets and liabilities of the former subsidiary from the consolidated statement of financial position.

(b) recognises any investment retained in the former subsidiary ~~at its fair value when control is lost~~ and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant IFRSs. That ~~fair value~~ retained interest is remeasured, as described in paragraphs B98(b)(iii) and B99A. The remeasured value at the date that control is lost shall be regarded as the fair value on initial recognition of a financial asset in accordance with IFRS 9 or~~, when appropriate,~~ the cost on initial recognition of an investment in an associate or joint venture, if applicable.

(c) recognises the gain or loss associated with the loss of control attributable to the former controlling interest, as specified in paragraphs B98–B99A.

26 Paragraphs B97-B99A set out guidance for the accounting for the loss of control of a subsidiary.

In Appendix B, paragraph B99A is added. New text is underlined.

Loss of control

...

B99A If a parent loses control of a subsidiary that does not contain a business, as defined in IFRS 3, as a result of a transaction involving an associate or a joint venture that is accounted for using the equity method, the parent determines the gain or loss in accordance with paragraphs B98–B99. The gain or loss resulting from the transaction (including the amounts previously recognised in other comprehensive income that would be reclassified to profit or loss in accordance with paragraph B99) is recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. The remaining part of the gain is eliminated against the carrying amount of the investment in that associate or joint venture. In addition, if the parent retains an investment in the former subsidiary and the former subsidiary is now an associate or a joint venture that is accounted for using the equity method, the parent recognises the part of the gain or loss resulting from the remeasurement at fair value of the investment retained in that former subsidiary in its profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The remaining part of that gain is eliminated against the carrying amount of the investment retained in the former subsidiary. If the parent retains an investment in the former subsidiary that is now accounted for in accordance with IFRS 9, the part of the gain or loss resulting from the remeasurement at fair value of the investment retained in the former subsidiary is recognised in full in the parent's profit or loss.

Application examples

Example 17

A parent has a 100 per cent interest in a subsidiary that does not contain a business. The parent sells 70 per cent of its interest in the subsidiary to an associate in which it has a 20 per cent interest. As a consequence of this transaction the parent loses control of the subsidiary. The carrying amount of the net assets of the subsidiary is CU100 and the carrying amount of the interest sold is CU70 (CU70 = CU100 × 70%). The fair value of the consideration received is CU210, which is also the fair value of the interest sold. The investment retained in the former subsidiary is an associate accounted for using the equity method and its fair value is CU90. The gain determined in accordance with paragraphs B98–B99, before the elimination required by paragraph B99A, is CU200 (CU200 = CU210 + CU90 – CU100). This gain comprises two parts:

(a) the gain (CU140) resulting from the sale of the 70 per cent interest in the subsidiary to the associate. This gain is the difference between the fair value of the consideration received (CU210) and the carrying amount of the interest sold (CU70). According to paragraph B99A, the parent recognises in its profit or loss the amount of the gain attributable to the unrelated investors' interests in the existing associate. This is 80 per cent of this gain, that is CU112 (CU112 = CU140 × 80%). The remaining 20 per cent of the gain (CU28 = CU140 × 20%) is eliminated against the carrying amount of the investment in the existing associate.

(b) the gain (CU60) resulting from the remeasurement at fair value of the investment directly retained in the former subsidiary. This gain is the difference between the fair value of the investment retained in the former subsidiary (CU90) and 30 per cent of the carrying amount of the net assets of the subsidiary (CU30 = CU100 × 30%). According to paragraph B99A, the parent recognises in its profit or loss the amount of the gain attributable to the unrelated investors' interests in the new associate. This is 56 per cent (70% × 80%) of the gain, that is CU34 (CU34 = CU60 × 56%). The remaining 44 per cent of the gain CU26 (CU26 = CU60 × 44%) is eliminated against the carrying amount of the investment retained in the former subsidiary.

In Appendix C, paragraph C1C is added. New text is underlined.

Effective date

...

C1C *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, amended paragraphs 25–26 and added paragraph B99A. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after a date to be determined by the IASB. Earlier application is permitted. If an entity applies those amendments earlier, it shall disclose that fact.

Determination of a 'De Facto Agent'

Available in:

- 2024 Edition – Amendments to IFRS 10 *Consolidated Financial Statements* as issued by the IASB in July 2024.

Paragraph B74 is amended. Paragraphs B73 and B75 are not amended but are included for ease of reference. New text is underlined and deleted text is struck through.

Assessing control

...

Relationship with other parties

B73 When assessing control, an investor shall consider the nature of its relationship with other parties and whether those other parties are acting on the investor's behalf (ie they are 'de facto agents'). The determination of whether other parties are acting as de facto agents requires judgement, considering not only the nature of the relationship but also how those parties interact with each other and the investor.

B74 Such a relationship need not involve a contractual arrangement. A party is a de facto agent when the investor has~~, or those that direct the activities of the investor have,~~ the ability to direct that party to act on the investor's behalf. A party might also be a de facto agent when those that direct the activities of the investor have the ability to direct that party to act on the investor's behalf. The ~~In these circumstances, the~~ investor shall consider its de facto agent's decision-making rights and its indirect exposure, or rights, to variable returns through the de facto agent together with its own when assessing control of an investee.

B75 The following are examples of such other parties that, by the nature of their relationship, might act as de facto agents for the investor:

(a) the investor's related parties.

(b) a party that received its interest in the investee as a contribution or loan from the investor.

(c) a party that has agreed not to sell, transfer or encumber its interests in the investee without the investor's prior approval (except for situations in which the investor and the other party have the right of prior approval and the rights are based on mutually agreed terms by willing independent parties).

(d) a party that cannot finance its operations without subordinated financial support from the investor.

(e) an investee for which the majority of the members of its governing body or for which its key management personnel are the same as those of the investor.

(f) a party that has a close business relationship with the investor, such as the relationship between a professional service provider and one of its significant clients.

Appendix C
Effective date and transition

Paragraph C1E is added. For ease of reading, this paragraph has not been underlined.

Effective date

...

C1E *Annual Improvements to IFRS Accounting Standards—Volume 11*, issued in July 2024, amended paragraph B74. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.