



**PASSFR.EU**

A Digital Learning Platform for Generation Z:  
Passport to IFRS®

## IFRS® Standard 12 Disclosures of Interests in Other Entities



**IFRS  
Standard  
12  
Disclosure  
of Interests  
in Other  
Entities**

**Objective**

- Evaluate the nature and associated risks of the interests
- Effects of those interests on its financial position, financial performance, and cash flows

**IFRS  
Standard  
12  
Disclosure  
of Interests  
in Other  
Entities**

Scope

- Disclosures about an entity's interests in subsidiaries, joint arrangements/operations, associates, unconsolidated structured entities.

IFRS Standard  
12 Disclosure  
requirements

Subsidiaries

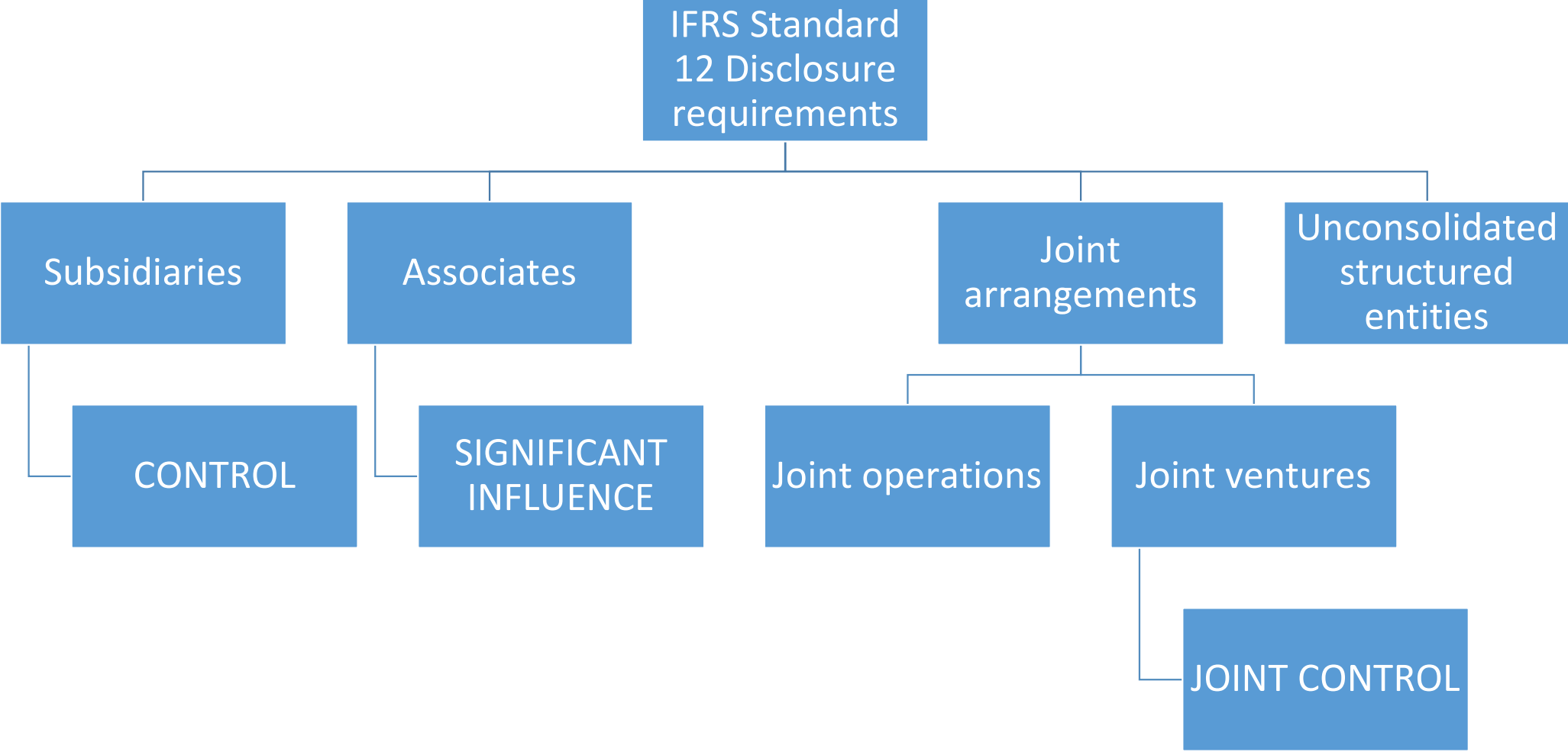
Associates

Joint  
arrangements

Unconsolidated  
structured  
entities

Joint operations

Joint ventures



# **KEY DEFINITIONS**

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## Interest in another entity

- Contractual and non-contractual involvement
- The holding of equity or debt instruments as well as other forms of involvement such as the provision of funding, liquidity support, credit enhancement, and guarantees
- Control or joint control of, or significant influence over another entity

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## Structured Entity

- Voting or similar rights are not the dominant factors in deciding who controls the entity
- securitization vehicles, asset-backed financings, and certain investment funds.



# **Disclosure of Significant Judgements and Assumptions**

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IFRS Standard 10

**Subsidiary**

Control over another entity

**Judgement:** Determining that it does not control another entity even though it holds more than half of the voting rights of the other entity

**Judgement:** Determining that it controls another entity even though it holds less than half of the voting rights of the other entity.

**Judgement:** Determining that it is an agent or a principal

# Disclosure of Significant Judgements and Assumptions

IFRS Standard 10	IAS Standard 28
<b>Subsidiary</b>	<b>Associate</b>
Control over another entity	Significant influence over another entity
<p><b>Judgement:</b> Determining that it does not control another entity even though it holds more than half of the voting rights of the other entity</p> <p><b>Judgement:</b> Determining that it controls another entity even though it holds less than half of the voting rights of the other entity.</p> <p><b>Judgement:</b> Determining that it is an agent or a principal</p>	<p><b>Judgement:</b> Determining that it does not have significant influence even though it holds 20 percent or more of the voting rights of another entity.</p> <p><b>Judgement:</b> Determining that it has significant influence even though it holds less than 20 percent of the voting rights of another entity.</p>

# Disclosure of Significant Judgements and Assumptions

IFRS Standard 10	IAS Standard 28	IFRS Standard 11	
Subsidiary	Associate	Joint Agreement	Joint Operation/Joint Venture
Control over another entity	Significant influence over another entity	Joint control over an arrangement	When a joint arrangement has been structured through a separate vehicle, its classification (i.e. joint operation or joint venture).
<p><b>Judgement:</b> Determining that it does not control another entity even though it holds more than half of the voting rights of the other entity</p> <p><b>Judgement:</b> Determining that it controls another entity even though it holds less than half of the voting rights of the other entity.</p> <p><b>Judgement:</b> Determining that it is an agent or a principal</p>	<p><b>Judgement:</b> Determining that it does not have significant influence even though it holds 20 per cent or more of the voting rights of another entity.</p> <p><b>Judgement:</b> Determining that it has significant influence even though it holds less than 20 per cent of the voting rights of another entity.</p>	<p><b>Judgement:</b> Determining that the parties are bound by a contractual arrangement</p> <p><b>Judgement:</b> Determining that the contractual arrangement gives two or more of those parties joint control of the arrangement</p> <p><b>Judgement:</b> Determining that the facts and circumstances have been changed and the entity still has joint control of the arrangement.</p>	<p><b>Judgement:</b> Determining that the parties that have joint control of the arrangement has rights to the assets and obligations for the liabilities, relating to the arrangement. (joint operation)</p> <p><b>Judgement:</b> Determining that the parties that have joint control of the arrangement has rights to the net assets of the arrangement. (joint venture)</p> <p><b>Judgement:</b> Determining that the facts and circumstances have been changed and the type of joint arrangement in which it is involved has changed.</p>

# **DISCLOSURE PRINCIPLES**

# DISCLOSURE PRINCIPLES – Non-Financial

Type of investment	Non-Financial information disclosures by reporting entity
<b>Subsidiary</b>	<ul style="list-style-type: none"> <li>• the composition of the group</li> <li>• the interest that non-controlling interests have in the group's activities and cash flows</li> <li>• evaluation of the nature and extent of significant restrictions on its ability to access or use assets, and settle liabilities, of the group</li> <li>• evaluation of the nature of, and changes in, the risks associated with its interests in consolidated structured entities</li> <li>• evaluation of the consequences of changes in its ownership interest in a subsidiary that do not result in a loss of control</li> <li>• evaluation of the consequences of losing control of a subsidiary during the reporting period.</li> </ul>
<b>Associate</b>	<ul style="list-style-type: none"> <li>• the nature, extent, and financial effects of its interests in joint arrangements and associates, including the nature and effects of its contractual relationship with the other investors with joint control of, or significant influence over, joint arrangements and associates</li> </ul>
<b>Joint Venture</b>	<ul style="list-style-type: none"> <li>• the nature of, and changes in, the risks associated with its interests in joint ventures and associates.</li> </ul>
<b>Joint Operation</b>	

# DISCLOSURE PRINCIPLES –Financial

Type of investment	Financial information disclosures by reporting entity
Subsidiary	<ul style="list-style-type: none"><li>• dividends paid to non-controlling interests</li><li>• summarised financial information about the assets, liabilities, profit or loss and cash flows of the subsidiary</li></ul>
Joint venture/operation	<ul style="list-style-type: none"><li>• dividends received from the joint venture/operation</li><li>• summarised financial information about the assets, liabilities, profit or loss and cash flows of the joint venture/operation</li></ul>
Associate	<ul style="list-style-type: none"><li>• dividends received from associate</li><li>• summarised financial information about the assets, liabilities, profit or loss and cash flows of the associate</li></ul>

# DISCLOSURE PRINCIPLES – Investment Entity

the fact the entity is an investment entity

the subsidiary's name

the principal place of business (and country of incorporation if different from the principal place of business) of the subsidiary;

the proportion of ownership interest held by the investment entity and, if different, the proportion of voting rights held.

information about significant judgments and assumptions it has made in determining that it is an investment entity, and specifically where the entity does not have one or more of the 'typical characteristics of an investment entity

details of subsidiaries that have not been consolidated (name, place of business, ownership interests held)

details of the relationship and certain transactions between the investment entity and the subsidiary (e.g. restrictions on the transfer of funds, commitments, support arrangements, contractual arrangements)

information where an entity becomes, or ceases to be, an investment entity



# EXAMPLE

- Subsidiaries are entities in which the parent entity has the power to control the financial and operating policies for the benefit of the parent entity. This power can arise from either the holding more than 50% of the voting rights owned directly and indirectly by itself and/or by certain parent entity. Family members and companies whereby the parent entity exercises control over the voting rights of (but does not have the economic benefit of) the shares held by them or through the exercise of actual dominant influence over financial and operating policies despite not having the power to exercise more than 50% of the voting rights. The proportion of ownership interest represents the effective shareholding of the Group through the shares held by the parent entity and indirectly by its subsidiaries.

## SUBSIDIARIES

SUBSIDIARIES	Proportion of voting power held by the Company and its Subsidiaries (%)		Proportion of voting power held parent company family members (%)		Total proportion of voting power held (%)		Total proportion of ownership interests (%)	
	2021	2020	2021	2020	2021	2020	2021	2020
Subsidiary 1	95.00	95.00	1.00	1.00	96.00	96.00	95.00	95.00
Subsidiary 2	99.00	99.00	0.05	0.05	99.05	99.05	99.00	99.00
Subsidiary 3	80.00	80.00	0.10	0.10	80.10	80.10	80.00	80.00

# EXAMPLE

## ASSOCIATES

- The proportion of voting power held by the parent entity, its Subsidiaries and family members and the total proportion of ownership interests in Associates accounted for using the equity method on 31 December 2021 and 2020 are presented.

ASSOCIATES	Proportion of voting power held by the company and its subsidiaries (%)		Proportion of voting power held parent company family members (%)		Total proportion of voting power held (%)		Total proportion of ownership interests (%)	
	2021	2020	2021	2020	2021	2020	2021	2020
Associate 1	45.00	45.00	0.10	0.10	45.10	45.10	45.10	45.00
Associate 2	25.30	25.30	1.70	1.70	27.00	27.00	25.30	25.300
Associate 3	25.00	25.00	0.90	0.90	25.90	25.90	25.00	25.00

# EXAMPLE

## JOINT VENTURE

- The proportion of voting power held on joint ventures by the parent entity, its subsidiaries and parent entity family members and the total proportion of ownership interests on 31 December are presented.

JOINT VENTURES	Proportion of voting power held by the company and its subsidiaries (%)		Proportion of voting power held family members (%)		Total proportion of voting power held (%)		Total proportion of ownership interests (%)	
	2021	2020	2021	2020	2021	2020	2021	2020
Joint venture 1	50.00	50.00	-	-	50.00	50.00	50.00	50.00
Joint venture 2	50.00	50.00	-	-	50.00	50.00	50.00	50.00



As of December 31, 2021 Non-controlling interests (%) in subsidiaries are as follows:

<u>Subsidiary Name</u>	<u>%</u>
Subsidiary 1	30
Subsidiary 2	10
Subsidiary 3	5
Subsidiary 4	3

# EXAMPLE

The statement of the financial position as of December 31, 2021 (*Amounts expressed in thousands of CU*)

	Subsidiary 1	Subsidiary 2	Subsidiary 3	Subsidiary 4	Total
Current Assets	400,000	75,000	155,000	5,000	635,000
Non-current Assets	600,000	60,000	100,000	1,000	761,000
<b>Total Assets</b>	<b>1,000,000</b>	<b>135,000</b>	<b>255,000</b>	<b>6,000</b>	<b>1,396,000</b>
Current Liabilities	50,000	40,000	5,000	3,000	98,000
Non-current Liabilities	15,000	400	25,000	-	40,400
<b>Total Liabilities</b>	<b>65,000</b>	<b>40,400</b>	<b>30,000</b>	<b>3,000</b>	<b>138,400</b>
<b>Net assets of the company</b>	<b>935,000</b>	<b>94,600</b>	<b>225,000</b>	<b>3,000</b>	<b>1,257,600</b>
Consolidation adjustments due to inter-group leases	-	100	-	-	100
<b>Net assets after consolidation adjustments</b>	<b>935,000</b>	<b>94,700</b>	<b>225,000</b>	<b>3,000</b>	<b>1,257,700</b>
Non-controlling interests rate	30%	10%	5 %	3 %	
<b>Non-controlling interests</b>	<b>280,500</b>	<b>9,470</b>	<b>112,500</b>	<b>900</b>	<b>403,370</b>
Dividend paid to non-controlling interests	45,000	400	5,000	20	50,420

# EXAMPLE

## Statement of profit or loss and OCI for the year January 1- December 31, 2021 *(Amounts expressed in thousands of CU)*

	Subsidiary 1	Subsidiary 2	Subsidiary 3	Subsidiary 4	Total
Revenue	370,000	100,000	-	40,000	510,000
<b>Profit/ (loss) for the year</b>	<b>(90,000)</b>	<b>5,000</b>	<b>30,000</b>	<b>300</b>	<b>(54,700)</b>
Other comprehensive income	(20,000)	(100)	(2,000)	400	(21,700)
<b>Total comprehensive income/ (loss)</b>	<b>(110,000)</b>	<b>5,100</b>	<b>28,000</b>	<b>700</b>	<b>(76,200)</b>
Consolidation adjustments due to intergroup leases	-	100	-	-	100
<b>Total comprehensive income/ (loss) after Consolidation adjustments</b>	<b>(110,000)</b>	<b>5,200</b>	<b>28,000</b>	<b>700</b>	<b>(76,100)</b>
Rate of Non-controlling interests	30%	10%	5 %	3 %	
<b>Non-controlling interests</b>	<b>(33,000)</b>	<b>520</b>	<b>1,400</b>	<b>21</b>	<b>(31,059)</b>

# EXAMPLE

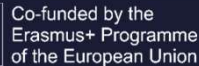
**Summary of cash flows for the period between January 1 – December 31, 2021**  
*(Amounts expressed in thousands of CU)*

	Subsidiary 1	Subsidiary 2	Subsidiary 3	Subsidiary 4	Total
Purchases of tangible, intangible and right of use assets	3,200	2,900	-	-	6,100
Borrowings from;					
Cash inflows	-	-	-	-	-
Cash outflows	(70)	(25)	(1)	-	(96)
Dividends paid	(150,000)	-	(10,750)	-	(160,750)



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