HM Treasury

Financial Reporting Advisory Board Paper

IFRS Interpretations Committee meetings – update

Issue:	A summary of the IFRS Interpretations Committee meetings from March 2023-June 2023, noting any particular relevance to the public sector.
Impact on guidance:	Potential adaptation or interpretation in the FReM dependent on outcomes of any Standard Setting adjustments.
IAS/IFRS adaptation?	No adaptations or interpretations proposed but further agenda decisions will be considered as needed.
Impact on WGA?	None.
IPSAS compliant?	This would depend on whether IPSASB make adjustments for any new IFRS amendments and interpretations.
Interpretation for the public-sector context?	No adaptations or interpretations proposed.
Impact on budgetary regime and Estimates?	None.
Alignment with National Accounts	No impact on the National Accounts.
Recommendation:	For the Board to note, HM Treasury proposes to make no adaptations or interpretations in relation to any outcome from the IFRS IC meetings summarised below.
Timing:	Ongoing

DETAIL

Introduction

1. This paper provides the Board with a summary of announcements from the IFRS Interpretations Committee between March 2023 and June 2023. The paper is provided for the Board's information and presented by meeting date in chronological order. The paper covers the main agenda decisions of the Interpretations Committee and tentative agenda decisions. Relevance to the public sector and any impacts on the FReM have been considered and noted.

2. There was one tentative agenda decision published since the last update.

   2.1 Tentative agenda decision: Merger between a Parent and Its Subsidiary in Separate Financial Statements (IAS 27 Separate Financial Statements)

IFRS Interpretation Committee Update 6-7 June 2023

3. The Committee's tentative agenda decision which will return to the Committee for further discussion at a later point.

3.1 Merger between a Parent and Its Subsidiary in Separate Financial Statements (IAS 27 Separate Financial Statements) SEE APPENDIX 1 FOR THE FULL TEXT

Consideration following a request about how a parent entity should account for a merger transaction in its separate financial statements. In particular whether, in context of the parent entity' separate financial statements, the merger transaction:

a) constitutes a business combination as defined in IFRS 3 and consequently, whether an entity should apply all the requirements in IFRS 3 that apply to the accounting for a business combination.
b) the merger should not be accounted for as a business combination. Applying this view, the parent entity—in its separate financial statements—recognises the subsidiary's assets and liabilities at previous carrying amounts.

The Committee observed that the evidence gathered indicates little diversity in accounting for the merger transaction described in the request. In accounting for the merger transaction described in the request in their separate financial statements, parent entities generally do not apply the requirements in IFRS 3 that apply to the accounting for a business combination.

The Committee concluded that the matter described in the request does not have widespread effect. Consequently, the Committee decided not to add a standard-setting project to the work plan.

No action for the public sector proposed at this time.

Appendix 1

Merger between a Parents and Its Subsidiary in sperate financial statements (IAS 27 Separate Financial Statements)

The Committee received a request about how a parent entity that prepares separate financial statements applying IAS 27 accounts for a merger with its subsidiary in its separate financial statements.

In the fact pattern described in the request:

a. a parent entity prepares separate financial statements applying IAS 27 and recognises an investment in a subsidiary applying paragraph 10 of IAS 27.
b. the subsidiary contains a business (as defined by IFRS 3 *Business Combinations*); and
c. the parent entity merges with the subsidiary, resulting in the subsidiary's business becoming part of the parent entity (merger transaction).

The request asked how the parent entity should account for the merger transaction in its separate financial statements. In particular, the request asked whether, in the context of the parent entity's separate financial statements, the merger transaction:

a. constitutes a business combination as defined in IFRS 3 and consequently, whether an entity should apply all the requirements in IFRS 3 that apply to the accounting for a business combination; or
b. the merger should not be accounted for as a business combination. Applying this view, the parent entity—in its separate financial statements—recognises the subsidiary's assets and liabilities at previous carrying amounts.

Evidence gathered by the Committee [to date] indicates little, if any, diversity in accounting for the merger transaction described in the request. In accounting for the merger transaction described in the request in their separate financial statements, parent entities generally do not apply the requirements in IFRS 3 that apply to the accounting for a business combination.

Based on its findings, the Committee concluded that the matter described in the request does not have widespread effect. Consequently, the Committee [decided] not to add a standard-setting project to the work plan.