

IND AS 112 – Disclosure of Interest in other entities

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OBJECTIVE

- a. The significant judgments and assumptions it has made in determining:
 - i. The nature of its interest in another entity or arrangement
 - ii. The type of joint arrangement in which it has an interest
 - iii. That it meets the definition of an investment entity, if applicable

And

- b. Information about its interests in:
 - i. Subsidiaries
 - ii. Arrangements and associates
 - iii. *Structured entities* that are not controlled by the entity.

SCOPE

This Ind-AS will be applied to an entity that has interest in any one of the following:

1.Subsidiaries

2.Joint arrangements
(i.e. joint
operations or
joint ventures)

3.Associates

4.Unconsolidated
structured
entities

Definitions

- a. Structured entity - An entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

Have some or all of the following characteristics-

- § Restricted activity
- § A narrow and well defined objective
- § Insufficient equity to permit it to finance its activities without subordinated financial support

Examples- asset backed financing, investment and real estate funds

Definitions

b. Income from a structured entity – Includes (but not is limited to) fees, interest, dividends, gains or losses on the remeasurement or derecognition of interests in structured entities and gains or losses from the transfer of assets and liabilities to the structured entity.

c. Interest in another entity - Refers to contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. Evidenced by holding: debt instruments, equity instruments, and other forms of involvement.

Disclosures regarding significant judgments and assumptions-General

Disclosure is required of the significant judgments and assumptions made by a reporting entity and any changes to those judgments and assumptions, in determining:

- That it has control of another entity
- That it has joint control of an arrangement
- The type of joint arrangement , either joint venture or joint operation, when the arrangement is structured through a separate vehicle and
- That it has significant influence over another entity

Disclosures regarding significant judgments and assumptions-General

For example, a reporting entity should disclose significant judgments and assumptions made when determining that:

- a. It does not control another entity despite holding more than half of that other entity's voting rights;
- b. It controls another entity despite holding less than half of that other entity's voting rights
- c. It is an agent or a principal
- d. It does not have significant influence over another entity despite holding more than 20% of that other entity's voting rights.

Interest in Subsidiaries by Parent

An entity shall disclose information that enables users of its consolidated financial statements:

- a. To understand:
 - i. The composition of the group and
 - ii. The interest that non-controlling interests have in the group's activities and cash flows and
- b. To evaluate:
 - i. The nature of, and changes, in , the risks associated with its interest in consolidated structured entities
 - ii. The consequences of changes in its ownership interest in a subsidiary that do not result in a loss of control and
 - iii. The consequences of losing control of a subsidiary during the reporting period

Non- controlling interest

An entity shall disclose for each of its subsidiaries that have non-controlling interests that are material to the reporting entity:

- a. The name of the subsidiary
- b. The principal place of business of the subsidiary
- c. The proportion of ownership interests held by non-controlling interests.
- d. The proportion of voting rights held by non-controlling interests, if different from the proportion of ownership interests held (differential voting rights)
- e. The profit or loss allocated to non-controlling interests of the subsidiary during the reporting period.
- f. Accumulated non-controlling interests of the subsidiary at the end of the reporting period.
- g. Summarised financial information about the subsidiary

Joint arrangements and associates

	Joint Venture	Joint operations	Associates
Name of the entity	ü	ü	ü
Nature of relationship	ü	ü	ü
The principal place of business	ü	ü	ü
The proportion of ownership interest or the proportion of voting rights held	ü	ü	ü
Whether the investment in the joint venture or associate is measured at fair value or using the equity method	ü	ü	ü
Summarized financial information about assets	ü	ü	ü
The fair value in respect of associates and joint ventures accounted for by equity method if there is a quoted market price for the investment.	ü	ü	ü

Unconsolidated Structured entities

If a reporting entity holds interest in an unconsolidated structured entity, Ind-AS 112 requires disclosure of qualitative information to enable users of financial statements to:

- Understand the nature and extent of this interest.
- Evaluate the nature of , or changes in , the risks associated with this interest.

Interest in unconsolidated subsidiaries

For each unconsolidated subsidiary, an investment entity shall disclose:

- a. The subsidiary's name
- b. The principal place of business
- c. The proportion of ownership interest held

An investment entity shall also disclose:

- a. The nature and extent of any significant restrictions
Eg- To repay loans or advances made to the unconsolidated subsidiary
- b. Any current commitments or intentions to provide financial or other support
- c. the terms of any contractual arrangements that could require the entity to provide financial support